VOL 19 No 4 APRIL 1989

SURVEY of Current Affairs

Government and Administration

The Civil List 127

Recent Legislation 127

Shorter Notes
Agreements against Drug Trafficking 127;
Criminal Law: Confiscation Powers 128

External Affairs and Defence

British-Soviet Relations 129

Southern Africa 130

Response to International Disasters 132

Shorter Note
Aid to India 133

Economic and Scientific Affairs

The Budget 134

Overseas Direct Investment by Companies 141

Cross-border Acquisitions and Mergers in 1988 148

Industrial Relations 151

Training 152

Information Technology Policy 153

HM Inspectorate of Pollution: First Annual Report 156

Shorter Notes
Unitary Taxation 157; Venture Capital and Small Firms Assistance 157; Advertising in the Professions 158; Shipbuilding 158; Competition in the Supply of Beer 159; Channel Tunnel Rail Link 159; Radioactive Waste Disposal 160

Social and Cultural Affairs

Inner Cities 161

Shorter Note
National Food Survey 162

Documentation 163

The *Survey of Current Affairs* is produced primarily for use overseas, but in response to requests has also been made available in Britain. Subscription and distribution inquiries should be addressed to HMSO Books, P.O. Box 276, London SW8 5DT, and editorial inquiries to Reference Services, Central Office of Information, Hercules Road, Westminster Bridge Road, London SE1 7DU. Although the material is Crown Copyright, it may be reproduced without special permission.
Other documents produced by Reference Services, if not on sale through Her Majesty's Stationery Office, may be obtained direct from the Overseas Distribution Unit, Central Office of Information, at the above address on payment of a small charge.

NOTE

The term 'Britain' is used informally in the *Survey of Current Affairs* to mean the United Kingdom of Great Britain and Northern Ireland. 'Great Britain' comprises England, Wales and Scotland.

The Civil List

The amounts payable to members of the royal family under the Civil Lists Acts to finance expenditure incurred in carrying out their official duties in 1989 were announced in March.

The proposed sums (see below) were announced by the Chancellor of the Exchequer, Mr Nigel Lawson, on 14 March (*Hansard*, Vol 149, No 70, col 147). They represent in total an increase of 4·6 per cent over 1988 (figures for which are given in brackets) and are as follows:

	1989 £
The Queen's Civil List	4,658,000 (4,500,000)
Queen Elizabeth, the Queen Mother	404,000 (390,300)
The Duke of Edinburgh	225,300 (217,700)
The Duke of York	155,400 (86,500)
Prince Edward	20,000 (20,000)
The Princess Royal	140,400 (135,600)
Princess Margaret	136,700 (132,100)
Princess Alice, Duchess of Gloucester	55,400 (53,500)
The Duke of Gloucester	110,000 (106,300)
The Duke of Kent	148,500 (143,500)
Princess Alexandra, Hon Lady Ogilvy	141,600 (136,800)
Total	6,195,300 (5,922,300)
Refunded by the Queen	400,100 (386,600)
	5,795,200 5,535,700

The sum refunded by the Queen to the Consolidated Fund is equivalent to the payments to the Duke of Gloucester, the Duke of Kent and Princess Alexandra.

No special provision is made for the Prince of Wales, who is entitled to net revenues from the Duchy of Cornwall although he surrenders a quarter of these to the Exchequer.

Recent Legislation

The public Acts of Parliament passed between December 1988 and 23 March 1989 when the Easter adjournment began are listed below.

Consolidated Fund Act 1989. Gives parliamentary authority for sums to be issued out of the Consolidated Fund to meet the Government's expenditure requirements. Royal Assent: 15.3.89. Ch 2. HMSO, 50p. ISBN 0 10 540289 3.

Consolidated Fund (No 2) Act 1988. Gives parliamentary authority for sums to be issued out of the Consolidated Fund to meet the Government's expenditure requirements. Royal Assent: 20.12.88. Ch 55. HMSO, 50p. ISBN 0 10 545588 1.

Elected Authorities (Northern Ireland) Act 1989 (see pp 402-3, 1988). Royal Assent: 15.3.89. Ch 3. HMSO, £2·60. ISBN 0 10 540389 X.

Petroleum Royalties (Relief) and Continental Shelf Act 1989. Aims to end royalties for certain oil and gas fields (see p 137, 1988) and to implement the agreement between the Governments of Britain and the Irish Republic on the determination of the Continental Shelf. Royal Assent: 7.2.89. Ch 1. HMSO, £1·30. ISBN 0 10 540189 7.

Prevention of Terrorism (Temporary Provisions) Act 1989 (see pp 404-8, 1988). Royal Assent: 15.3.89. Ch 4. HMSO, £7·10. ISBN 0 10 540489 6.

Shorter Notes

AGREEMENTS AGAINST DRUG TRAFFICKING

Britain and Switzerland have concluded an agreement committing both countries to co-operation in tracing, freezing and confiscating the proceeds of drug traffickers.

Welcoming the agreement, which took the form of an exchange of letters between the two governments on 8 March, the Home Secretary, Mr Douglas Hurd, said that it was an important one since both Britain and Switzerland were major financial centres liable to be abused by international drug traffickers.

Under the Drug Trafficking Offences Act 1986 (see pp 69-71, 1986) there are powers to trace, freeze and confiscate the proceeds of drug trafficking; it also

enables British courts to freeze and confiscate assets on behalf of another country offering similar assistance in return. The Swiss Government has undertaken to assist in tracing and freezing assets held in Switzerland by suspected drug traffickers and in securing the confiscation of proceeds following the conviction of drug traffickers in British courts.

Similar agreements have been concluded by Britain with the United States, Canada, Australia and the Bahamas, and substantive negotiations have been completed with Spain and Sweden. Another agreement is being negotiated with Saudi Arabia following the signature in Riyadh on 2 April of a memorandum of understanding in which the British and Saudi Arabian Governments pledged closer co-operation in dealing with crime, terrorism and drug trafficking.

Source: Home Office press notices, 8.3.89 and 3.4.89.

CRIMINAL LAW: CONFISCATION POWERS

Courts in England and Wales are now able to freeze and confiscate the assets of offenders convicted of highly profitable crimes.

Under Part VI of the Criminal Justice Act (see p 331, 1988), which came into effect on 3 April, a court may make a confiscation order against the proceeds arising from a wide range of serious offences, including robbery, fraud, blackmail, insider dealing in shares, prostitution and supplying pornographic videos. The value of assets must amount to £10,000.

As with drug trafficking, the High Court is able to order the freezing of an alleged offender's assets as soon as there is evidence to make a charge. A receiver can be appointed to trace and manage property, and the police and the customs authorities have the power to seize restrained assets if there is a risk of them being smuggled abroad.

The new powers also allow a court to order the confiscation of assets, including houses and property, held by the convicted offender in other countries. As with the 1986 legislation on drug trafficking, the 1988 Act opens the way to reciprocal enforcement agreements with other countries (see p 127).

If the offender refuses to give up known assets he or she is liable to imprisonment for substantial periods in default, in addition to any term being served as a penalty for the original offence or offences.

Source: Home Office press notice, 3.4.89.

British-Soviet Relations

East-West relations (including relations between Britain and the Soviet Union), arms control, and regional problems were discussed by the Prime Minister, Mrs Margaret Thatcher, and the Soviet President, Mr Mikhail Gorbachev, during the President's three-day official visit to Britain from 5 to 7 April.

During their talks both leaders discussed the progress of the Soviet Union under Mr Gorbachev's reform programme, regional problems in Central America and the Middle East, and Namibia, where the two leaders were anxious that the peace process be implemented in full (see p 130). They also spoke at the Guildhall on 7 April.

Several agreements involving trade and inward investment protection (worth around £300 million), and aid to Armenia were also signed.

Mrs Thatcher's Speech

Speaking at the Guildhall on 7 April in response to a speech by Mr Gorbachev, Mrs Thatcher said that Britain wanted Mr Gorbachev's reforms to be successful because every step towards greater democracy, human rights and freedom of choice would bring the two countries closer together, and a better life for the Soviet people.

Britain also wanted to see fewer weapons, she continued, 'always providing that our security and defence are assured against whatever may befall. We, too, prefer to settle the world's problems by negotiation and not by force or violence.'

Britain, continued the Prime Minister, was part of a Western Europe which was the cradle of human rights, democracy and the rule of law. Its vision was of a Europe in which the barriers between East and West had come down and which no longer lived in the shadow of overwhelming military forces but only such defences as were necessary to assure sovereignty and security. Both sides needed to be safe in 'the common European home' (see p 366 fn, 1988), Mrs Thatcher added. 'So above all our vision is of a Europe in which no one feels threatened; in which the goals of our various nations, though different, are fundamentally compatible; in which we achieve our political aims, not at the expense of one another, but in co-operation with each other.'

President Gorbachev's Speech

Mr Gorbachev thanked Britain for its sympathy and support in response to the 1988 Armenian earthquake (see pp 14-15).

On the Soviet Union's reform programme, he said that in 1985 it had opted firmly for *perestroika* and for the new thinking, and domestic and foreign policies based on it. *Perestroika* was 'in earnest and for the long term,' he emphasised. 'There is no turning back for anyone.' As the election of people's deputies had demonstrated, 'the Soviet people are not going to turn off the path chosen four years ago'.[1]

Turning to foreign policy, Mr Gorbachev said that reliance on force was a dangerous approach which led to an impasse. After his announcement of reductions in Soviet armed forces and other proposals in his UN speech (see p 415, 1988), including the reduction in the Soviet defence budget, fears about the Soviet military threat were groundless. He also announced that his country had recently decided to cease production of enriched weapons-grade uranium. The Soviet Union had also finished the construction to a facility for the destruction of chemical weapons (see p 12) and would be working for an early conclusion to a global international convention on the complete prohibition and elimination of these weapons.

President Gorbachev said that, if the North Atlantic Treaty Organisation (NATO) went ahead with its programme of modernising tactical nuclear weapons, this would affect the Vienna talks, confidence-building measures and the situation in Europe in general (see pp 43-9 and 90-2). The Soviet Union wanted to start negotiations on reducing Soviet and US naval forces and those of the Warsaw Pact and NATO, and believed that it was possible to build a safe and nuclear-free world.

British-Soviet Agreements

Three agreements were signed on 6 April at 10 Downing St:

1 One designed to promote and protect inward investment, principally by British companies in the Soviet Union, and to stimulate British–Soviet trade and economic co-operation. Key provisions cover most-favoured-nation treatment for investment firms, no expropriation without full compensation, international arbitration procedures and the unrestricted transfer of capital and profits.

2 A memorandum of understanding on visa procedures which will bring in better provisions for obtaining visas. It covers the timescale for the issue of short-term visas (14 working days), those for

[1]The first of the elections to the new 2,250-seat Congress of National Deputies took place on 26 March and 9 April (see p 364, 1988).

stays over three months (one calendar month), and visas for special categories such as regular business travellers, children and urgent compassionate cases (three working days). The memorandum also defines those entitled to receive multiple visas (for example, diplomats and resident journalists), and cases where travel without a visa is allowed.

3 A memorandum of understanding under which Britain, with the assistance of Aid Armenia (the charity that has been co-ordinating British aid to Armenia) and a number of major British firms as co-sponsors, is to build, furnish and equip a school in Leninakan to replace one lost in the Armenian earthquake. Designed by the Department of Education and Science and to be built by a British contractor, the new school will provide for 400 children between the ages of six and 16, and will incorporate laboratory and physical education facilities. The Soviet authorities will provide basic services and build the foundations. The school is to be built to withstand severe earthquakes and to cope with the extremes of heat and cold of the local climate.

On 6 April, the Trade and Industry Secretary, Lord Young, and the Soviet Deputy Prime Minister, Mr Vladimir Kamentsev, initialled a protocol aimed at encouraging British–Soviet trade in chemicals, timber and construction. In addition, five agreements for joint ventures involve:

1 the manufacture of redesigned Soviet washing machines (worth an estimated £25 million over three years);

2 the modernisation of Soviet polyethylene and ethylene plants in Budyemnousk and Kazan (with an estimated value of £120 million);

3 the construction of hotels and an office block in Lithuania;

4 the supply of automatic office equipment and the construction of hotels; and

5 the provision of English language, scientific, and technical products and services, with an estimated value of £20 million.

Letters of intent were also signed on 6 and 7 April, involving the extension of a glass fibre plant in Polotsk and a hotel/business centre in Tallinn, Estonia, with an approximate value of around £75 million.

In addition, on 6 April Britain and the Soviet Union discussed the possibility of a long-term cultural agreement, under which cultural centres would be opened in London and Moscow with the aim of increasing mutual understanding between the Soviet and British people. Both sides also hoped that in the near future they would conclude a bilateral agreement on early notification of a nuclear accident and on improved exchange of safety-related information on nuclear facilities.

Southern Africa

Britain's support for the United Nations plan for Namibian independence was reaffirmed by the Prime Minister, Mrs Margaret Thatcher, during a visit to southern Africa at the end of March. Condemning the apartheid system in South Africa, she also stressed the need to respond to genuine change in that country.

The Prime Minister made official visits to Zimbabwe (28-30 March) and to Malawi (30 March-1 April) as part of a wider tour of Africa which included an official visit to Morocco, a short stop-over in Nigeria and on 1 April a visit to Namibia.

The main purpose of the visits was to reinforce Britain's commitment to African states in southern Africa and to strengthen its bilateral relations with these countries.

In Zimbabwe Mrs Thatcher held discussions with President Mugabe and visited the British military training camp for Mozambican soldiers at Nyanga, where a tripartite meeting took place with President Mugabe and President Chissano of Mozambique. She was also present at the opening of a new Cluff Resources plc goldmine, the largest British investment in Zimbabwe since independence. In Malawi the Prime Minister had talks with President Banda and visited the Mankhokwe refugee camp, which accommodates about 70,000 of over 600,000 Mozambican refugees in Malawi.

During her visit to Namibia, the Prime Minister opened a Liaison Office for the British Government in Windhoek pending the formal opening of an embassy after independence.

Namibia

Under the UN plan for Namibia set out in Security Council Resolution 435 (1978) and in understandings reached by the parties since the adoption of the resolution (see pp 95-6), the timetable provides for free elections to a constituent assembly to take place at the beginning of November 1989. After this election the constitution for an independent Namibia will be drawn up; there is no fixed date for this but it is hoped that April 1990 will be the independence date.

The United Nations Transition Assistance Group (UNTAG), set up to monitor the process, has a mandate lasting for one year. South African troops have to be reduced to 1,500 twelve weeks after 1 April 1989 and be restricted to base prior to their withdrawal one week after certification of the election results.

The UN plan provides for forces of the South West Africa Peoples' Organisation (SWAPO) to be restricted to bases outside Namibia in Angola or Zambia and for their presence there to be monitored by UNTAG with the co-operation of host governments. The UN plan makes no provision for the establishment of any SWAPO bases inside Namibia during the transitional period to independence.

The August 1988 Geneva Protocol, signed by Angola, Cuba and South Africa, states that 'Angola and Cuba shall use their good offices so that once the total withdrawal of South African troops from Angola is completed, and within the context also of the cessation of hostilities in Namibia, SWAPO's forces will be deployed to the north of the 16th parallel'.

On 1 April SWAPO forces crossed the border into Namibia from Angola; fighting broke out between them and South African troops acting with the auth-

ority of the United Nations. Discussions were subsequently held at Mount Etjo in Namibia by South Africa, Cuba and Angola accompanied by United States and Soviet observers and agreement was reached on 9 April on a plan for the withdrawal of the SWAPO forces. The agreement was ratified by the UN special representative Mr Marti Ahtisaari and by the South African Administrator-General in Namibia, Mr Louis Pienaar. The SWAPO President, Mr Sam Nujoma, ordered his forces to stop fighting and report to their bases in Angola.

Under the agreement special assembly points are being set up in northern Namibia by UN military personnel, who will escort SWAPO forces to their bases in Angola. A British signals unit of about 170 personnel has been deployed to northern Namibia to carry out its signals task and to help operate the nine assembly points to which SWAPO forces are due to report. In order to speed up deployment of UNTAG, Britain has made available to the United Nations 55 Landrovers and 12 four-ton trucks, which were airlifted to Namibia. Britain's financial contribution to UNTAG is about £14 million.

British View

Speaking at a banquet in Harare, Zimbabwe, on 29 March, Mrs Thatcher said that the United States had played a remarkable role in securing agreement on Angola and Namibia. Credit was also due to the Soviet Union for its contribution in Angola and for the greater realism of recent statements about the problems of Southern Africa. The elections in Namibia had to be as free and fair as those conducted in Zimbabwe following the 1979 Lancaster House conference (see pp 364-70, 1979) and the agreement had to be observed scrupulously by all parties. 'Otherwise the agreement so painstakingly achieved would be undermined from the outset.' Noting that the Commonwealth had agreed in 1975 that an independent Namibia would be welcome as a member, Mrs Thatcher hoped that it would join, since Commonwealth members had a fund of experience on how to manage the first years of nationhood on which Namibia could draw.

Answering a question in the House of Commons on 4 April (*Hansard*, Vol 150, No 77, col 15), Mrs Thatcher described SWAPO's incursion as a most serious challenge to the authority of the United Nations and the internationally agreed arrangements for Namibian independence. There was no provision in the United Nations plan for SWAPO to have bases in Namibia and SWAPO had committed itself to the Geneva accord under which it was required to stay north of the 16th parallel in Angola. This breach by SWAPO had led to the most regrettable fighting and loss of life and the South African units involved were acting with the authority of the United Nations. She concluded: 'It is important that the authority of the United Nations should be upheld and the arrangements implemented in full.'

Speaking in the House of Commons on 13 April (*Hansard*, Vol 150, No 84, cols 1151-8), the Minister of State at the Foreign and Commonwealth Office, Mrs Lynda Chalker, said that Britain believed that SWAPO had to return its forces north of the 16th parallel and that South African forces, too, had to be confined to base under UNTAG monitoring. The sooner SWAPO withdrew to Angola, the sooner effective UN monitoring of the South African forces could begin. 'It is crucial that there should be no more breaches of the United Nations plan by anyone. We will be monitoring implementation very closely and giving our full support to the UN.'

On the Mount Etjo agreement, Mrs Chalker said that it envisaged a South African presence at the assembly points. 'We would naturally expect that [this presence] would not be on such a scale or deployed in such a way as to inhibit SWAPO reporting there.'

South Africa

During her speech at the Harare banquet, the Prime Minister said that in South Africa there was an ever wider recognition that apartheid was not only deeply hurtful but an obstacle to the economic growth necessary for the future prosperity of all races. Although there was much to condemn in South Africa – apartheid, detention without trial and the suspension of basic human rights – changes for the better had to be acknowledged when they were made, whether within South Africa or in relations with neighbouring countries.

Mrs Thatcher stressed that Britain wanted to see the release of Nelson Mandela, the suspension of violence and the opening of negotiations on a political future in which black people had their rightful role in government. These objectives could not, however, be achieved through South Africa's isolation or through economic sanctions, for a people could not be helped by the destruction of its economy. She concluded: 'I think that in the end we shall get rid of apartheid without sanctions and without destroying the economy of South Africa, and I hope the day may not be long distant. It will be through constant encouragement, persuasion and the recognition that only when these things are done can all races see their hopes for a better life for themselves and for their children realised.'

Speaking at a press conference in Blantyre, Malawi, on 31 March, Mrs Thatcher said that there had been a number of changes in South Africa which should not be underestimated or underrated. There had been considerable economic advances by black South Africans. The foremost advances had been made by foreign companies who had trained black South Africans not only for craft and technician jobs but for top management as well. They had also set up housing estates not subject to the Group Areas act (see p 346, 1985) and provided finance for black South Africans to buy houses. If account was taken of the expressed willingness to change of the new group at the top of the South African Government, it was Britain's view that they would take the necessary steps to get a fundamental solution under way.

British Companies

On 22 March the Department of Trade and Industry published an analysis[1] of the performance of British companies under the European Community's code of conduct (see pp 117-18, 1986) for companies with interests in South Africa in the year ended 30 June 1988. Nearly 100 companies holding 50 per cent or more of the equity of a South African company

[1] *Code of Conduct for Companies with Interests in South Africa. Analysis and Summary of Companies' Reports for the Period 1 July 1987 to 30 June 1988.*

employing 20 or more black Africans submitted reports showing that over 97 per cent of their black employees were paid above the code's recommended minimum level. The majority also reported formal involvement with trade unions representing their black employees. Over two-thirds of the companies indicated specific policies of employing and promoting black South Africans in and to supervisory and management jobs. One-third of the companies sub-contracted to black businesses or gave such businesses priority treatment in customer–supplier relations. The majority of companies provided assistance with house purchase, educational schemes and bonuses; over 90 per cent operated pension schemes or provident funds and a similar proportion ran insurance and medical schemes.

Mozambique

During the Blantyre press conference Mrs Thatcher said that Malawi had given a warm and friendly welcome to over 600,000 refugees from Mozambique, which had a very considerable internal problem with the terrorist activities of Renamo, whose methods were such that no one could support it. Before any negotiations took place with Renamo, it was necessary to discover its objectives and what it would be prepared to give up in return for negotiations.

In a speech made at the Mankhokwe refugee camp in Malawi on 31 March, Mrs Thatcher spoke of the terrible atrocities which had forced the refugees to leave their homes. Britain wanted to create conditions in which they could return to their homes and live in peace and safety.

No words of praise were too high to describe the work of the voluntary agencies and the United Nations High Commissioner for Refugees. Britain had contributed £3 million in assistance in 1988 and a further £3 million would be given for the same purpose in 1989 as well as a similar sum for relief work inside Mozambique. Some £250,000 would also be provided to purchase blankets and clothes in order to ease the hardships caused by recent floods.

An additional £10 million is also being provided by Britain in bilateral aid and the British Council is planning to open an office in Maputo.

A further contribution of non-lethal military equipment worth £500,000 is also being made to Mozambique and British military training assistance is being increased.

Aid Commitments

During her visits to Zimbabwe and Malawi Mrs Thatcher praised their commitment to agriculture and its improvement. During her Harare speech she said that Britain had had a strong commitment to Zimbabwe from its birth and that the commitment remained as firm today. Since independence Britain's aid programme had amounted to more than £200 million and a further £10 million would be pledged in addition to the £15 million pledged in October 1988. Over the last few years Britain had pledged more than £1,000 million in direct aid to the countries of southern Africa.

Speaking at her Blantyre press conference, Mrs Thatcher described Malawi's economic achievements as remarkable. A country without natural resources, it had set about improving its agriculture and concentrating on the only product – the produce of the soil – that could be used to give it its standard of living.

An additional £10 million is to be given to Malawi in British bilateral assistance.

Both Zimbabwe and Malawi will benefit from more British military assistance. Both countries are to receive gifts of non-lethal military equipment worth £500,000 and there will also be increased military training assistance to both countries.

Response to International Disasters

Britain's views on the international community's responses to emergencies and major disasters were set out in a speech by Mr Christopher Patten, Minister for Overseas Development, in London on 21 March.

Addressing a conference organised by the Fontmell Group on Disaster Relief, Mr Patten reviewed recent relief operations and emphasised the need for improvements to ensure that relief was provided effectively and rapidly. He also referred to a number of measures designed to meet these objectives.

1 Following a review of the British Government's disaster relief arrangements in December 1988 after the Armenian earthquake (see pp 14-15), the staff of the Disaster and Refugee Units of the Overseas Development Administration (ODA) has been increased and more training in disaster relief management has been given to ODA staff. In addition the role of non-governmental organisations has been examined and the ODA is to discuss with them how it can best help to support their humanitarian work.

2 Mr Patten proposed that the United Nations Disaster Relief Organisation (UNDRO) should possess a register of the kind of assistance that donor countries can provide in the event of major disasters. UNDRO would then be able to mobilise appropriate assistance from donors, thereby speeding up relief supplies, targeting relief operations more effectively and avoiding duplication. He added that Britain was ready to host a ministerial conference of donor countries to discuss ways of improving UNDRO's effectiveness.

3 On the issue of ecological degradation as shown, for example, in Bangladesh's annual flooding problems, Mr Patten said that Britain was prepared to host a conference in London under the auspices of the World Bank to discuss the outcome of reports on measures to alleviate them. One of the reports is being prepared by a United Nations Development Programme team headed by a British water engineer and the second by a French team of technical experts working with a panel including a British economist.

4 The British Government attaches importance to measures designed to prevent disasters and is to

raise this as a major issue in the United Nations Natural Disaster Reduction Decade starting in 1990.

Background

Britain's response to emergencies and disasters is handled by the ODA's Disaster and Refugee Units. In the period between 1983 and 1987 it gave £76 million in bilateral disaster relief. Another £55·6 million was provided through European Community disaster relief programmes over the same period. In 1986 and 1987 Britain provided nearly £62 million in assistance for refugees; its contribution to the United Nations High Commission on Refugees in 1988 was £22 million, higher than ever before. For further information see COI reference paper *British Emergency Relief Aid,* No 247/87.

Shorter Note

AID TO INDIA

Britain is providing India with a grant of £20 million to finance a rural health and family welfare project in 10 districts of Orissa state in eastern India, serving a population of around 20 million people. It will be used to construct and equip over 610 primary health centres and subcentres, mostly in remote parts of Orissa, and to finance renovations, extensions and equipment for the existing 614 health centres and 35 community hospitals, and for water and electricity supplies, equipment and vehicles.

In addition, it will be used to improve training centres for doctors, nurses and paramedical staff, and to provide an extensive in-service training programme for all levels of health service staff throughout the state, with particular attention to the development of health and family welfare education.

The remainder of the aid (£2 million) will be available to employ British and Indian experts to advise the state government at all stages of the project, particularly in the areas of nursing and health education, health service planning and management, and financial management. British and Indian experts will also be involved in an extensive socio-economic and demographic survey at the beginning and end of the project to determine its impact on people's health.

The grant is the second phase of a project which began in 1979 to strengthen health and family welfare services in five rural districts in Orissa. More than £13 million has been spent on the first phase.

India is Britain's biggest bilateral aid beneficiary, receiving around £90 million in 1987/88.

Source: ODA press notice, 17.3.89.

The Budget

A reform of employees' National Insurance contributions, leading to substantial reductions, was a major feature of the Budget, presented by the Chancellor of the Exchequer, Mr Nigel Lawson, on 14 March. The Budget also provided for a raising of the profits limits for corporation tax and contained further measures to encourage share ownership. Some slowing in the rate of economic growth is forecast and continuing large repayments of public sector debt are planned in 1989-90.

The main Budget proposals are outlined below. They are followed by a fuller account of the Chancellor's statement. Tables are taken from the *Financial Statement and Budget Report 1989-90*,[1] published on Budget day.

SUMMARY OF PROPOSALS

Taxation

Income Tax

Main allowances and threshold for the 40 per cent rate raised by the rate of inflation.

Extension of age allowances.

Scale tax charges for private use of company cars increased by one-third.

Corporation Tax

Raising by 50 per cent of annual profits limits for small companies' rate and for relief from full rate.

Excise Duties

Duty on unleaded petrol reduced by 3·6p a gallon.

Duty on two- and three-star leaded petrol raised by 4·1p a gallon to bring prices broadly into line with that of four-star.

Value Added Tax

Registration threshold increased from annual turnover of £22,100 to one of £23,600.

Profit-related Pay

Restriction requiring profit-related pay to be at least 5 per cent of total pay abolished.

Annual limit on such pay subject to income tax relief raised from £3,000 to £4,000.

Payroll Giving Scheme

Limit on payroll giving to charity attracting income tax relief doubled from £240 to £480 a year.

Personal Equity Plans

Annual limit on investment in a personal equity plan increased from £3,000 to £4,800.

Employee Share Schemes

Annual entitlement of tax-free shares to employees raised from £1,250, or 10 per cent of salary, subject to a £5,000 ceiling, to £2,000, or 10 per cent of salary, subject to a £6,000 ceiling.

Pensions

Abolition of upper limit – but without additional tax relief – on tax-relieved pensions paid by employers.

National Insurance Contributions

Contributions of employees with earnings at or above the lower limit of £43 a week to be 2 per cent of the first £43 of total earnings plus 9 per cent of the rest up to the upper earnings limit of £325 a week.

Pensioners' Earnings

Men over 65 and women over 60 who continue to work no longer to have their state retirement pensions reduced or stopped.

Monetary Policy

Continuation of the medium-term financial strategy, with the exchange rate being of particular importance and short-term interest rates the essential instrument.

Target rate of growth for narrow money in 1989-90 of 1 to 5 per cent.

Public Finances

Public sector debt repayment in 1989-90 set at £14,000 million.

Economic Forecast

Gross domestic product (GDP) forecast to grow by some 2·5 per cent in 1989, with manufacturing output rising by about 3·5 per cent. Fixed investment to increase by around 4·5 per cent. Annual rate of inflation as measured by the retail prices index forecast at some 5·5 per cent by fourth quarter of 1989. Deficit on the current account of the balance of payments forecast at about £14,500 million in 1989.

CHANCELLOR'S STATEMENT

Introducing his Budget in the House of Commons (*Hansard*, Vol 149, No 69, cols 293-309), the Chancel-

[1] *Financial Statement and Budget Report 1989-90*. HM Treasury. HMSO, £7·80. ISBN 0 10 223589 9.

Table 1
Growth of Money Supply and Money GDP

Percentage change during year

	1988-89	1989-90	1990-91	1991-92	1992-93
Narrow money – M0	7*	1-5†	0-4‡	0-4‡	–1-3§
Money GDP	11	7·75*	6§	6§	5-5§

*Forecast.
†Target range.
‡Illustrative range.
§Government's medium-term objective.

lor said that the background was one of the unprecedented strength of the British economy, coupled, however, with the need to combat inflation at a time when it was edging up again throughout the world.

Economic Background

The last ten years had seen a transformation in both the conduct of economic policy and the results achieved. For the first time, policy had been set firmly and explicitly in a medium-term context, with the Government setting a sound medium-term framework and leaving the private sector free to operate with confidence within it.

The Government had come to office with two central objectives: to defeat inflation and to instil new life into a moribund economy. Inflation, Mr Lawson declared, was 'a disease of money': monetary policy was its cure. The role of fiscal policy was to bring the public accounts into balance and keep them balanced, thus underpinning the process of re-establishing sound money. 'Strong sustainable growth is achieved not through any artificial stimulus but by allowing markets to work again and restoring the enterprise culture; by removing unnecessary restrictions and controls and by rolling back the frontiers of the state; by reforming trade union law and promoting all forms of capital ownership; and by reforming and reducing taxation.'

The Government had been successful in reducing inflation. Between 1974 and 1979 the annual rate had averaged more than 15 per cent: over the past six years it had averaged 5 per cent. This was still not good enough but it was 'a massive improvement'.

Economic Growth

Business and industry had 'responded to the new economic climate with vigour and confidence'. As a result, Britain had experienced the longest period of strong and steady growth since 1945. Output had grown faster than in all the other main European nations during the 1980s. Moreover, this growth had been based 'on a dramatic and sustained improvement in productivity'. During the 1980s Britain's productivity growth had been second only to that of Japan among the major economies. In manufacturing alone Britain's record was superior even to that of the Japanese. There were now more people in work in Britain than ever before.

Britain's prospects had also been transformed. Over the past seven years, investment had grown more than twice as fast as consumption, creating the increased capacity necessary to meet future demand. Business investment now accounted for a higher proportion of national income than ever before. Its quality had also improved immeasurably, as had that of British management. There had been 'a dramatic and long overdue improvement in company profits' and 'a remarkable growth' in the number of businesses – at a rate of more than 1,000 a week in 1988.

Provided Britain stood firm in its resolve to defeat inflation, the prospects were excellent. A year ago, Mr Lawson reminded the House, in the aftermath of the worldwide stock market crash (see pp 368-70, 1987), some slowing from the rapid growth of 1987 had seemed likely. However, it now appeared that 1988 had been a second successive year of growth at some 4·5 per cent, with unemployment falling by over 500,000 to well below the European average. Manufacturing output had grown particularly rapidly, by more than 7 per cent, to a level well above the previous peak. But total spending had also grown – by nearly 7 per cent. This had been mainly because of the boom in industrial investment – itself a welcome event – but also because of continuing strong growth in consumer spending. The latter had been financed to an unprecedented degree by borrowing – overwhelmingly mortgage borrowing.

Inevitably, the rapid growth in total spending had led to renewed inflationary pressure. To some extent, this had been diverted into a sharp rise in imports and hence into the deficit on the current account of the balance of payments. The published figures put this at £14,500 million in 1988 although, given the £15,000 million positive balancing item – another name for errors and omissions – the true figure was almost certainly lower. But whatever the actual figure, it was undoubtedly large, representing a sharp increase on the deficit recorded in 1987 after seven successive years of surplus. However, given sound policies, the deficit could readily be financed. Moreover, unlike previous deficits Britain had experienced, it did not reflect excessive government borrowing but rather an upsurge in private investment unmatched by private savings. This imbalance would in due course prove self-correcting.

Inflationary Pressures

The real threat was posed by the increase in inflation. Excluding the distorting effect of mortgage interest payments, the retail prices index rose by about 4·5 per cent in 1988 – much the same as the average increase over the previous five years. But the underlying rate rose significantly through the year and currently stood at some 5·5 per cent.

In Britain, as in a number of other countries, it had become clear that a sharp tightening in monetary policy was necessary. That meant raising short-term interest rates, which had been duly carried out, starting in June 1988. The Chancellor expressed himself keenly conscious of the difficulties many borrowers, particularly home owners, were now experiencing.

'But however unwelcome high interest rates may be, they are infinitely preferable to the damage that would be done by high inflation.'

There were increasing signs that the raising of interest rates was having the desired effect. The housing boom had subsided; monetary growth had slowed appreciably; and retail sales seemed to have levelled off over the past four months, presaging a gradual recovery in the personal savings ratio.

The outlook for 1989 was for inflation to rise a little further over the next few months, from an annual rate of 7·5 per cent including mortgage interest payments to about 8 per cent, before falling back to about 5·5 per cent in the fourth quarter and perhaps 4·5 per cent in the second quarter of 1990.

Some slowing in real growth was inevitable as inflation resumed its downward path. Overall growth was forecast to fall from about 4·5 per cent in 1988 to some 2·5 per cent in 1989, with growth through the year at 2 per cent. Growth in domestic demand was forecast to slow even more markedly. But within this, investment, which was holding up well, was once again forecast to grow faster than consumption. The current account deficit was forecast to remain at the 1988 level.

How 'soft' or 'hard' the so-called landing would be was not in the hands of government alone, Mr Lawson warned. It was also necessary for business and industry to control their pay and other costs. The more successful they were, the less costly in terms of output and employment the necessary adjustment would be.

Britain's experience over the past ten years showed that the policy being pursued would bring inflation down and lead to a resumption in steady growth. The best contribution the Government could make was to carry forward the process of supply-side reform in order to help to make the economy work better. This was the objective of the specific measures contained in the Budget.

Monetary Policy

Mr Lawson reminded the House that monetary policy played the central role in the battle against inflation. It was at the very heart of the medium-term financial strategy, adopted in 1980 (see p 113, 1980). The monetary tightening that had taken place over the past nine months had already led to a sharp fall in the rate of growth of the target aggregate, narrow money (MO).

In 1989-90 the target range for the growth rate of MO would be 1 to 5 per cent, as envisaged in the 1988 financial strategy (see p 136, 1988). Although it would start the year above the top of that range, its very low growth over the past six months – below 3 per cent at an annualised rate – suggested that it would come within the range fairly soon. As in the past two years, there was no target for the growth rate of broad money – liquidity – but it would continue to be taken into account in assessing monetary conditions.

The exchange rate was of particular importance in the conduct of monetary policy. The Government's clear commitment not to accommodate increases in domestic costs by exchange rate depreciation remained a key safeguard against inflation. In this context, Britain would continue to work with the other six major industrialised countries to maintain the greater exchange rate stability that had been a feature of the past two years.

Short-term interest rates remained 'the essential instrument of monetary policy', and these would stay as high as was needed for as long as was needed; 'there will be no letting up in our determination to get on top of inflation'.

Public Sector Finances

When the Government took office in 1979 the public sector borrowing requirement (PSBR) amounted to over 5 per cent of GDP – equivalent to £25,000 million at current prices. This had been steadily reduced until, by 1987-88, the PSBR had been eliminated and public debt began to be repaid. The 1988 Budget had provided for a further public sector debt repayment (PSDR) in 1988-89 of some £3,000 million (see p 137, 1988). In the event, the outturn was likely to be £14,000 million, or 3 per cent of GDP. Even without privatisation proceeds, the public finances would still have been in surplus, by some £7,000 million. Nothing similar had been achieved in the past 40 years. Indeed, government debt was now a lower proportion of GDP than at any time since the first world war. Moreover, the substantial PSDR over the past two years had permanently reduced the burden of debt servicing, both now and for future generations. In the coming year, for example, net debt interest costs would be over £1,500 million lower than they would otherwise have been. This saving was being put to good use, allowing extra spending on departmental programmes within overall public expenditure constraints.

This dramatic improvement also provided an opportunity to devote more attention to the structure of the remaining debt. The Government would continue to seek both to minimise the cost of servicing the domestic debt and to improve its quality by reducing its reliance on the more liquid types of borrowing. The Government had also been able to restructure part of its foreign currency debt, launching 'an innovative and cost-effective programme' of sales of Treasury Bills denominated and payable in ECUs (European Currency Units – see p 347, 1988). The first series of six monthly tenders for these Bills had proved highly successful. It was planned to continue the programme at around the current level.

The Chancellor announced the abolition, with immediate effect, of another financial control: the requirement under the Control of Borrowing Order for companies to obtain Bank of England permission for the timing of equity and bond issues. (Since 1946 the Order had involved first HM Treasury and then the Bank of England in giving consent for such issues.) Also, as soon as practicable, the Government would revoke the Order itself and repeal the Borrowing (Control and Guarantees) Act 1946, from which it stemmed. Mr Lawson explained that the sterling capital market had recently been going through a period of considerable adjustment as the Government changed from being a large issuer to a large purchaser of its own debt. The abolition of the Order would remove 'an unnecessary and bureaucratic restriction' on issuers of capital as they took over the borrowing role formerly played by the Government. This new freedom would be enhanced by a further set of deregulatory measures for the sterling capital market. These would open up the

Table 2
Public Sector Debt Repayment

£'000 million

	Estimated outturn 1988-89	Plans 1989-90	1990-91	1991-92	1992-93
Public expenditure planning total	151	167	179	192	200
Gross debt interest	18·5	17	15·5	14·5	14
Other adjustments	10	10	10·5	9·5	9·5
General government expenditure	179	194	205	216	224
Taxes on incomes, expenditure and capital	145	157	164	172	179
National Insurance and other contributions	33	34	35	37	39
Interest and dividends	7	7	7	7	6
Other receipts	7	8	8	9	9
General government receipts	191	206	214	225	233
Fiscal adjustment from previous years*	–	–	–	1	3
Annual fiscal adjustment*	–	–	1	2	3
General government debt repayment	12	12	8	6	3
Market and overseas debt repayment of public corporations	2	2	2	0	0
Public sector debt repayment	14	14	10	6	3
As percentage of GDP	3	2·75	1·75	1	0·5

*Implies lower taxes or higher expenditure than assumed in totals for general government expenditure and receipts.
Note: Differences between totals and the sums of their component parts are due to rounding.

market for sterling paper with a maturity of less than five years (see p 165, 1986) by extending the range of institutions permitted to make such issues. The measures would also create a unified regime for all these issues. 'Taken together, the changes . . . constitute a major liberalisation of the arrangements for London's capital markets. They will give greater flexibility to issuers and wider choice to investors.'

The Chancellor reaffirmed the principle set out in 1988 of a balanced budget (see p 137, 1988). This ensured that, as national income continued to rise, the ratio of public debt to national income continued to fall and with it the burden of debt interest. It also ensured that the state made no claim either on the savings of the private sector or on flows of finance from overseas. To go further than this, by seeking to achieve the maximum possible repayment of public debt, would not be consistent with government policy as it would mean a long deferral in reaping the benefits of a reduction in the burden of taxation. However, given the current substantial surplus, 'the path of prudence and caution must be to return to balance not overnight, but gradually, over a period of years. Thus, we can expect further years of debt repayment ahead of us.'

Mr Lawson was budgeting for a PSDR in 1989-90 similar to that in 1988-89 – one of some £14,000 million. This meant that, in the space of three years, the Government would have repaid roughly one-sixth of the public sector debt that had been built up over two centuries. But it also meant that it would not be possible in this Budget to reduce the share of taxation in national income.

Taxpayer Confidentiality

The Chancellor reminded the House that the official secrets legislation currently passing through Parliament (see pp 4-6) was very much narrower in scope than the Official Secrets Act 1911. In particular, it did not cover information in the possession of either the Inland Revenue or Customs and Excise concerning the private affairs of specific taxpayers. Accordingly, he proposed to introduce provisions into the Finance Bill to ensure that it would continue to be a criminal offence for officials or former officials of either department to reveal such information.

Business Taxation

The annual profits limit below which the small companies' corporation tax rate of 25 per cent applied would be raised from £100,000 to £150,000. The profits limit below which companies received relief from the full rate of 35 per cent would be increased from £500,000 to £750,000. These changes would reduce the corporation tax burden for more than half of all those companies that did not already enjoy the benefit of the small companies' rate.

The registration threshold for value added tax would be raised from an annual turnover of £22,100 to one of £23,600, the maximum permitted under European Community law.

The scale tax charges for the private use of company cars would be increased by one-third.

Income tax under Schedule E (which deals with income from employment and pensions) would be assessed on a receipts basis so that tax would be payable in the year in which income was received. This was in contrast to the existing – accruals – basis whereby tax was payable in the year to which income related.

The rules for apportionment of the income of close companies (generally, companies without a stock market quotation and controlled by no more than five people) were 'notoriously complex'. They were no longer needed and would therefore be abol-

Table 3
Public Sector Finances

£'000 million

	1988-89 forecast in 1988 Budget	1988-89 latest estimate	1989-90 forecast in 1989 Budget
Receipts			
Inland Revenue			
Income tax	42·1	43·8	46·9
Corporation tax[a]	19·8	18·4	22·4
Petroleum revenue tax	1·2	1·3	1·4
Capital gains tax	2·0	2·4	2·1
Inheritance tax	1·0	1·1	1·1
Stamp duties	2·0	2·3	2·4
Total Inland Revenue	68·0	69·3	76·3
Customs and Excise			
Value added tax	26·2	27·5	30·0
Oil	8·4	8·7	8·8
Tobacco	5·0	5·0	5·1
Alcohol	4·5	4·6	4·7
Betting and gaming	0·9	0·9	1·0
Car tax	1·3	1·4	1·4
Customs duties	1·6	1·7	1·8
Agricultural levies	0·1	0·2	0·1
Total Customs and Excise	47·9	49·9	52·9
Vehicle excise duties	2·8	2·8	2·9
Oil royalties	0·6	0·6	0·6
Gas levy	0·4	0·4	0·4
Local authority rates[b]	19·0	18·9	20·6
Other taxes and royalties	2·4	2·7	3·3
Total taxes and royalties	141·2	144·6	156·9
National Insurance and other contributions	31·6	32·8	34·0
Interest and dividends	5·6	6·6	7·0
Gross trading surpluses and rent	3·5	3·0	3·3
Other receipts	3·0	3·9	5·2
General government receipts	185·0	190.9	206·4
Expenditure			
Social Security	48·5	47·4	51·0
Health	20·7	21·7	23·2
Defence	19·2	19·0	20·1
Education and Science	18·0	18·4	19·6
Home Office and legal departments	7·0	7·2	8·0
Transport	5·1	4·8	5·4
Scotland	8·5	8·7	9·0
Wales	3·5	3·6	3·8
Northern Ireland	5·1	5·6	5·5
Other departments	22·8	21·2	23·1
Privatisation proceeds	−5·0	−7·0	−5·0
Reserve	3·5	–	3·5
Public expenditure planning total	156·9	150·6	167·1
General government gross debt interest	17·5	18·3	17·1
Other adjustments	8·6	10·2	10·1
General government expenditure	183·0	179·1	194·3
[a] Including advance corporation tax. Net of repayments	5·3	6·1	6·8

[b] Including community charge receipts in Scotland.

Note: Differences between totals and the sums of their component parts are due to rounding.

ished. However, there would be safeguards against the avoidance of tax on investment income by channelling it through a closely controlled investment company. Any such company that did not distribute the bulk of its profits and other investment income would be taxed at 40 per cent, equivalent to the higher rate of income tax.

Taxes on Saving

The Chancellor said that the sharp decline in the ratio of personal saving to personal income, particularly over the past two years, had led to heightened discussion of the merits of increasing incentives for personal saving. He recognised that it was desirable that, over the medium term, the nation generated a level of saving sufficient to finance a high level of investment. But, as well as personal saving, corporate saving – which was running at a historically high level – and public sector saving – which had been boosted by the move into budget surplus – were also important. Moreover, as the personal saving ratio was measured in terms of gross saving net of borrowing, the ratio had fallen not because of a decline in gross saving but as a result of the sharp increase in personal borrowing. The appropriate remedy was to raise the cost of borrowing – and with it the return on savings – as the Government had done.

The role of tax reform, Mr Lawson explained, was to encourage enterprise and improve economic performance in the medium term: it was wholly inappropriate as a response to short-term or cyclical phenomena. So government policy on the taxation of savings was clear: it was to strengthen and deepen popular capitalism in Britain, particularly by encouraging share ownership. To this end, the Budget contained a number of specific tax measures.

Personal Equity Plans

Personal Equity Plans (PEPs) were launched in 1986 (see p 125, 1986). Those who invested in PEPs paid no tax on the dividends received or on any capital gains made. There were now over 250,000 investors – many of whom had never owned shares before – subscribing almost £500 million in 1987. The rate of take-up had since slowed, and Mr Lawson announced a number of measures to improve and simplify PEPs and give them a boost.

First, the annual limit on the amount that could be invested would be raised from £3,000 to £4,800.

Secondly, within that, there would be a substantial increase in the amount that could be invested in unit trusts or investment trusts. The present limit – £540 a year or one-quarter of a PEP, whichever was the greater – would be raised to £2,400 a year and it would be permissible to invest the whole of a PEP in unit or investment trusts. To qualify for tax relief, the unit or investment trusts would be required to invest wholly or mainly in British equities.

Thirdly, whereas at present only cash could be paid into a PEP, investors would in future be allowed to pay in shares obtained by subscribing to new equity issues, including privatisation issues.

Finally, there would be a number of simplifications to the PEP rules so as to make the scheme more flexible, better directed to the needs of small and new investors and cheaper to administer.

Employee Share Schemes

The Chancellor pointed out that the number of approved all-employee share schemes had risen from 30 in 1979 to almost 1,600 now, benefiting some 1·75 million employees. The present annual limits on the value of shares that could be given under such schemes were £1,250, or 10 per cent of salary, up to a ceiling of £5,000. These cash limits would be increased to £2,000 and £6,000 respectively.

Secondly, the monthly limit on contributions to all-employee Save-As-You-Earn share option schemes would be raised from £100 to £150. Also, the maximum discount from market value at which options could be granted would be doubled from 10 per cent to 20 per cent.

Thirdly, with regard to Employee Share Ownership Plans (ESOPs), which differed from ordinary employee share schemes in that they used a wider variety of finance, acquired more shares and tended to operate on a longer timescale, Mr Lawson proposed to make it clear that companies' contributions qualified for corporation tax relief provided they met certain requirements designed to ensure that the employees acquired direct ownership of the shares within a reasonable time. He hoped that this would encourage more British companies, particularly unquoted ones, to consider setting up ESOPs.

Profit-related Pay

Firms with employee share ownership schemes were in no doubt that giving the workforce a direct personal interest in their profitability and success improved company performance. The same benefits flowed from profit-related pay, which was one reason why a tax relief to encourage its development had been introduced in the 1987 Budget (see p 133, 1987). The Chancellor was now making some improvements to the scheme.

First, the restriction that, to qualify for tax relief, prospective profit-related pay had to equal at least 5 per cent of total pay, would be abolished.

Secondly, the limit on the annual amount of profit-related pay which could attract relief was being increased from £3,000 to £4,000.

Thirdly, employers would be allowed to set up schemes for headquarters and other central units using the profits of the whole company or group for their profit calculations.

Finally, the material interest rules (under which employees might be unnecessarily excluded from schemes where they could already benefit from a trust set up for employees) would be abolished. (This change would also apply to share schemes and ESOPs.)

Taken together, Mr Lawson said, the package of measures announced to encourage share ownership in general, and employee share ownership in particular, would help to ensure that the idea of a share-owning democracy became ever more entrenched.

Life Assurance

The Chancellor had a number of proposals on the taxation of life assurance. These were mainly based on the principle of seeking lower tax rates on a broader base.

He explained that life offices which wrote pensions business as well as life assurance were not required to keep the two businesses entirely separate for tax purposes. This enabled them to set the unrelieved expenses of the pensions business against the income and gains of their life business, thus giving their life profits unduly favourable tax treatment. The life offices themselves had accepted that this treatment was anomalous. It would be ended from the beginning of 1990.

Life assurance policy duty (0·05 per cent of the sum assured) would be abolished.

The rate of tax payable on policyholders' share of income and gains of life offices (35 per cent on unfranked investment income and 30 per cent on realised capital gains) would be reduced to the basic rate of income tax.

Unit Trusts

Later in 1989 British unit trusts would be able to compete freely in the European Community and would face competition from similar Community investment schemes in Britain. At present, trusts investing in government or other fixed-interest securities faced a tax disadvantage in that, although they paid corporation tax at 35 per cent on their income, they could pass on to investors a credit based only on the basic rate. Mr Lawson now proposed that, from the start of 1990, as for life assurance companies, the corporation tax rate on unit trusts that came within the new European Community rules would be equal to the basic rate of income tax. Their investors would then obtain full credit for all British tax the trusts paid.

Pensions

The tax treatment of pension schemes was particularly favourable, the Chancellor continued, and so the extent of privilege had to be circumscribed by Inland Revenue rules. As a result, schemes qualified for tax relief only if they satisfied certain conditions, notably that the pension did not exceed two-thirds of final salary. This had the perverse result that tax law effectively constrained the overall pension an employer could pay. This was neither desirable nor necessary. However, while it was clearly right that employers should be free to provide whatever pension they saw fit, it would not be right to make the present generous tax treatment open-ended. New pensions paid from tax-approved occupational schemes would be limited to those based on a final salary of £60,000 a year (giving a maximum annual pension of £40,000). The figure would be subject to yearly uprating in line with inflation. However, pensions could still be paid above the limit but without tax relief on the excess.

Mr Lawson announced two proposals to make personal pensions more attractive. These would enable people to have a greater involvement in how their contributions were invested, and substantially increase the annual limits, as a percentage of earnings, in permitted contributions for those over the age of 35. The measures on pensions 'represent a significant deregulation which will allow more flexibility, while setting for the first time a reasonable cash limit on the tax relief available to any individual'.

Taxes on Spending

The Chancellor reminded the House that the Government was obliged to implement the European Court's judgment that certain of Britain's zero rates of value added tax (VAT) on supplies to business, notably on non-residential construction, but also on fuel and power and on water, were not lawful. Changes would be made accordingly.

VAT would be payable on all non-residential construction from 1 April and on fuel and power for business use and on water for industry from July 1990. VAT on fuel and power would apply to business users above a specified threshold; private households would remain zero-rated.

Zero rates would continue to apply to construction, water, fuel and power for all charities' non-business activities, for churches and for most residential accommodation such as hospices, students' hostels and old people's homes. Charities would also be relieved from VAT on fund-raising events, on sterilising equipment for medical use and on classified advertising. Cars leased to the disabled would be relieved from car tax. However, Mr Lawson believed that, in general, the best way of helping charitable causes through the tax system was by directly encouraging the act of charitable giving. The payroll giving scheme, introduced in 1986 (see p 125, 1986), had been growing steadily. The annual limit for income tax relief was being doubled to £480.

The Government had long been concerned about the environmental and health risks of leaded petrol, which it was firmly committed to phasing out. Duty differentials in favour of unleaded petrol had been announced in 1987 (see p 134, 1987) and 1988 (see p 138, 1988). However, unleaded petrol still accounted for only some 5 per cent of petrol sales, so the differential in favour of unleaded petrol would be raised further, by nearly 4p to just over 14p a gallon. If the benefit were fully passed on to the customer the price of unleaded petrol would generally be almost 10p a gallon less than that of four-star leaded. The duty on two- and three-star petrol would also be raised so that they would cost at least as much as four-star. This should encourage garages to phase out two-star (which had only a very small share of the market), enabling them to switch storage capacity and pumps to unleaded. It would also act as an incentive to the remaining users to switch to unleaded petrol.

The revenue foregone would be recovered from vehicle excise duty. At present, a bus or coach had to have 66 seats before it paid as much duty as a family car. This anomaly would be rectified by increasing the tax rates of this group so that it covered its track costs. There would also be a rise in the rates of duty on the heaviest non-articulated lorries so as to put them on a more equal footing with articulated lorries. The system would be simplified, with a substantial reduction in the number of separate rates.

Capital Gains Tax

The Chancellor had a number of announcements on capital gains tax.

First, with the advent of independent taxation from April 1990 (see p 137, 1988), married women would acquire their own capital gains tax threshold so that a married couple would enjoy two such exemptions. The threshold would remain £5,000.

Secondly, the general holdover relief for gifts would be abolished. This had been introduced in the 1980 Budget (see p 119, 1980), when there was still capital transfer tax on lifetime gifts, in order to avoid a form of double taxation. It enabled the recipient of an asset to defer taxation until disposal of the asset. The tax on lifetime giving had since been abolished (see pp 124-5, 1986) and the relief was increasingly being used as a form of tax avoidance. Holdover relief would, however, be retained for gifts of business, farm and heritage assets. Gifts between husband and wife would continue to be exempt. The existing relief for all gifts to charities would be extended to gifts of land and buildings to housing associations. Gifts of personal belongings worth up to £3,000 on disposal benefited from chattels relief and were exempt from capital gains tax. Chattels relief would be doubled to £6,000.

Thirdly, the exemption from capital gains tax on disposal of certain types of non-convertible sterling bond would be extended to non-convertible sterling bonds generally.

Income Tax

All the main income tax thresholds and allowances would be raised by the statutory indexation factor of 6·8 per cent. The single person's allowance would increase by £180 to £2,785 and the married man's allowance by £280 to £4,375. The basic rate limit would rise by £1,400 to £20,700.

For people aged 65 to 74, the single age allowance would increase by £220 to £3,400 and the married age allowance by £350 to £5,385. For those aged 75 and over, the age allowance would rise by £360 (for single people aged under 80) and by £230 (for single people aged 80 and over) to £3,540; and by £530 (for married couples aged under 80) and by £360 (for married couples aged 80 and over) to £5,565. The age allowance for those aged 80 and over would thus be extended to include all aged 75 and over, taking another 15,000 elderly single people and married couples out of tax altogether. Three-quarters of people aged 75 and over would not be liable to income tax at all.

The income limit for the age allowance would increase by £800 to £11,400, again in line with indexation. However, the rate at which the age allowance was withdrawn above this income limit would be reduced. In future it would be withdrawn at the rate of £1 for every £2 of income above the limit instead of the present rate of £2 for every £3.

Income tax relief on private medical insurance premiums for those aged 60 and over would be introduced.

The pensioners' earnings rule, under which the state pension of people up to five years above retirement age was reduced on earnings over £75 a week, would be abolished from 1 October.

National Insurance Contributions

The system of employees' National Insurance contributions would be revised. From 5 October earnings above the threshold of £43 a week would be subject to a new, lower rate of 2 per cent on the first £43 of earnings and 9 per cent on the balance, up to the upper earnings limit of £325 a week.

The reform would significantly reduce the burden of employees' contributions. People on just under half of average earnings and above would be £3 a week better off.

Conclusion

Commending his Budget to the House, Mr Lawson said that he had reaffirmed the Government's commitment to the defeat of inflation through the maintenance of prudent monetary and fiscal policies; he had budgeted for the largest ever debt repayment; he had announced a major reform of, and reduction in, employees' National Insurance contributions; and he had honoured the Government's pledge to abolish the earnings rule for pensioners.

OPPOSITION VIEWS

Replying for the official Opposition on 15 March (*Hansard*, Vol 149, No 70, cols 417-25), Mr John Smith welcomed the abolition of the earnings rule for pensioners, the introduction of a duty differential in favour of unleaded petrol and the reduction in employees' National Insurance contributions. However, he regretted that the Chancellor had not helped the low paid more by increasing income tax personal allowances by more than the bare minimum. He criticised the notion that taxpayers should subsidise private medical insurance for retired people. The Budget, he said, lacked substance.

Speaking on the same day for the Social and Liberal Democrats (*Hansard*, Vol 149, No 70, cols 442-7), Mr Alan Beith welcomed the charity VAT reliefs and the abolition of the pensioners' earnings rule. He would, however, have preferred a larger duty differential in favour of unleaded petrol. He deplored the tax relief for private medicine and felt that the Budget contained little for savings. It was one of 'missed opportunities, which does not tackle the problems at the heart of our balance of trade deficit. It does precious little for the environment and next to nothing for the low-paid.'

Overseas Direct Investment by Companies

Net direct investment overseas by British companies rose by two-thirds between 1986 and 1987. Corresponding investment in Britain by overseas companies grew by a similar proportion but from a much lower base. There was an excess of outward investment over inward of £10,800 million. Earnings from investment overseas greatly exceeded outgoings attributable to inward investment in Britain, benefiting the current account of the balance of payments by £4,500 million.

Provisional figures (see Table 1) suggest that both outward and inward net direct investment[1] fell

[1]Direct investment overseas consists of long- and short-term funds given by an investor in one country to overseas affiliates (subsidiaries, associates and branches) in the form of share capital, loans, trade credit and retained profits. It is measured net, after deducting loans made by the affiliates to their direct investors. As this article is concerned only with net direct investment, the words 'net direct' are omitted from the text from now on.

between 1987 and 1988, with a particularly sharp decline for outward investment. However, outward investment was still more than twice the size of inward investment. Earnings and outgoings both rose.

These findings are from the annual inquiry conducted by the Department of Trade and Industry, the main results of which were published in the 10 March issue of *British Business*. Because of the provisional nature of data for 1988, this article deals with the analysis for 1987. The detailed analysis excludes investment in the miscellaneous sector (mainly property transactions), for which there is no breakdown.

Recent Trends

The large flows of outward and inward investment reflect a number of factors.

Business has become increasingly international, with foreign companies being acquired and new companies set up. British enterprises have been very active in acquiring overseas ones; the number and value of such transactions far exceed the corresponding figures for the activities of overseas companies in Britain.

Transactions of securities firms with their overseas parent companies and overseas subsidiaries have also been important. Developments in the City of London since 'Big Bang' in 1986 (see p 361, 1986) have resulted in a strong foreign presence among British dealers in securities.

Since the early 1960s both outward and inward investment have increased substantially in relation to gross domestic product (GDP).

Outward investment was just over 1 per cent of GDP during the 1960s. The percentage then grew rapidly to a peak of some 2·75 per cent in 1973, reflecting, it is felt, corporate activity in anticipation of British membership of the European Community from the beginning of that year. The figure was depressed in the recession in 1975, resulting from the first round of oil price increases (see p17, 1974), but then grew unevenly to a little under 2 per cent by 1979. It then fell to below 1 per cent but has risen steadily since the early 1980s, to around 4·5 per cent by 1987.

Inward investment remained well below 1 per cent of GDP throughout the 1960s, most of the 1970s and the first few years of the 1980s. The variations that did occur were influenced by the build-up of oil and gas exploration and development programmes in the North Sea; British entry into the European Community, which stimulated investment in Britain from outside the Community; and recessions in 1975 and 1981, which sharply reduced the ratio. The figure has risen since 1984, to just under 2 per cent by 1987.

Outward Investment

Outward investment increased by two-thirds between 1986 and 1987 to reach £18,800 million (see Table 1). Investment by oil companies grew by £2,400 million to £3,200 million, due mainly to an increase in unremitted profits. There was net disinvestment by the banking sector as Barclays and Standard Chartered Banks disposed of South African interests. The composition of outward investment reflects the high level of activity by British companies in carrying out cross-border acquisitions and mergers (see pp 148-50). In 1987 around one-third of outward investment was accounted for by transactions in share and loan capital.

In terms of area (see Table 2), North America accounted for 71 per cent and the European Community for 12 per cent. The United States was the major recipient and experienced the largest increase in 1987. Two-thirds of British outward investment went to the United States; Canada and the Netherlands each received 5 per cent. Investment in the European Community was a little below the 1986 level. However, in each of the years 1985 to 1987, investment in the Community was over £2,000 million. There was net disinvestment in South Africa but investment in the developing countries rose by nearly a half. However, about two-thirds of such investment was in Hong Kong, Singapore and the offshore financial centres of the Bahamas, Bermuda, the Cayman Islands and Netherlands Antilles.

Earnings from Outward Investment

Net earnings from outward investment increased by two-fifths between 1986 and 1987 (see Table 3). Those of oil companies almost trebled as profits recovered from the fall in the oil price in 1985-86 (see pp 193-4, 1986). Though the dollar price of oil recovered somewhat in the course of 1987 it still remained weak and liable to fluctuate. In the banking sector there were net losses on overseas investments as provisions were made for bad debts incurred on lending to developing countries by overseas subsidiaries.

By area, North America provided 37 per cent of earnings and the European Community 23 per cent. With a rise of 65 per cent since 1986, the United States accounted for around one-third of the total. This was despite a 12 per cent appreciation of sterling against the dollar, which restrained the growth in the sterling value of dollar earnings. The Netherlands was largely responsible for the 50 per cent increase in earnings from the European Community. Holding companies in that country are important intermediaries for British investment in other countries, especially the United States. To the extent that companies report the country of immediate rather than ultimate investment, the figures for the Netherlands are an overstatement. Net earnings from South Africa continued to rise despite adverse factors while those from Australia grew by nearly 40 per cent. Among the developing countries, net earnings came largely from Hong Kong, Singapore, Brazil and Bermuda.

Inward Investment

Inward investment increased by two-thirds between 1986 and 1987 (see Table 1). Investment in the oil sector fell by 18 per cent as the decline in the oil price reduced North Sea activity. Within the non-oil sector, investment in banking and other financial activities rose, reflecting the growing importance of the City as an international financial centre.

By area (see Table 4), 25 per cent of inward investment came from North America and 36 per cent from the European Community. Investment from the United States declined for the second year in

Table 1

Net Overseas Direct Investment, Earnings and Outgoings

£ million

	1982	1983	1984	1985	1986	1987	1988*
Outward direct investment overseas							
Investment							
Non-oil companies	2,122	3,498	3,541	7,048	10,516	15,491	14,385
Oil companies	1,968†	1,919†	2,272	1,935	796	3,235	569
Total excluding miscellaneous transactions	*na*	*na*	5,813	8,983	11,313	18,725	14,954
Miscellaneous transactions	*na*	*na*	190	−183	−22	49	−17
Total	4,080	5,417	6,003	8,800	11,291	18,774	14,937
Earnings							
Non-oil companies	2,971	4,009	4,889	5,186	6,644	8,045	9,547
Oil companies	1,771	2,189	2,829	2,462	1,046	2,901	2,731
Total excluding miscellaneous transactions	*na*	*na*	7,718	7,648	7,691	10,945	12,278
Miscellaneous transactions	*na*	*na*	106	101	101	106	102
Total	4,742	6,198	7,824	7,749	7,792	11,051	12,380
Inward direct investment in Britain							
Investment							
Non-oil companies	1,137	2,063	2,021	1,515	2,723	6,209	6,670
Oil companies	1,770	1,238	−2,267	2,179	1,973	1,609	264
Total excluding miscellaneous transactions	2,907	3,301	−246	3,694	4,695	7,817	6,934
Miscellaneous transactions	120	85	65	116	148	140	287
Total	3,027	3,386	−181	3,810	4,843	7,957	7,221
Outgoings							
Non-oil companies	2,081	2,308	2,965	3,502	2,997	3,887	5,094
Oil companies	2,578	2,950	3,306	3,997	2,207	2,683	1,669
Total excluding miscellaneous transactions	4,659	5,258	6,271	7,499	5,203	6,571	6,763
Miscellaneous transactions	8	8	8	8	8	8	8
Total	4,667	5,266	6,278	7,507	5,211	6,579	6,771
Earnings less outgoings	75	932	1,546	242	2,581	4,472	5,609

*Provisional.
†Including miscellaneous transactions.
na = not available.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 2

Net British Direct Investment Overseas Analysed by Area*

£ million

	1984	1985	1986	1987
Western Europe	**−201**	**2,990**	**1,429**	**2,941**
European Community	−322	2,638	2,215	2,188
Belgium and Luxembourg	109	292	87	69
Denmark	28	14	−14	−29
France	191	248	323	248
Federal Republic of Germany	11	254	252	202
Greece	12	−6	17	7
Irish Republic	80	234	85	175
Italy	153	119	190	222
Netherlands	−990	1,198	1,053	937
Portugal	31	159	41	88
Spain	53	126	179	269
European Free Trade Association	114	407	−682	602
Austria	22	9	18	66
Finland	5	4	5	10
Iceland	*na*	*na*	*na*	*na*
Norway	*na*	*na*	*na*	*na*
Sweden	15	102	−1	−11
Switzerland	−26	77	−277	149
Other Western Europe	7	−55	−103	151
North America	**3,345**	**3,541**	**7,666**	**13,261**
Canada	578	215	598	996
United States	2,767	3,327	7,068	12,265
Other developed countries	**829**	**838**	**935**	**617**
Australia	512	430	691	570
Japan	134	47	118	−26
New Zealand	62	162	36	119
South Africa	120	199	91	−46
Rest of the world	**1,841**	**1,614**	**1,282**	**1,906**
Africa	−227	113	140	97
Middle East	−8	−108	136	−189
Other Asia	529	272	250	632
Caribbean, Central and South America	1,501	1,314	774	1,323
Other	46	23	−19	42
World	**5,813**	**8,983**	**11,313**	**18,725**
Commonwealth	2,444	1,203	1,969	2,909
Developing countries	1,841	1,613	1,282	1,906
Oil-exporting countries†	−140	−156	242	−169

*Excluding miscellaneous transactions.
na = not available.
†Algeria, Ecuador, Gabon, Gulf States, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, Trinidad and Tobago, and Venezuela.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 3

Net Earnings from British Direct Investment Overseas Analysed by Area*

£ million

	1984	1985	1986	1987
Western Europe	**1,557**	**2,052**	**2,093**	**3,032**
European Community	1,133	1,576	1,694	2,539
Belgium and Luxembourg	45	104	167	121
Denmark	58	52	57	64
France	12	60	202	252
Federal Republic of Germany	31	309	384	436
Greece	11	7	12	3
Irish Republic	68	159	140	205
Italy	69	90	128	165
Netherlands	746	674	432	1,033
Portugal	33	34	34	79
Spain	58	87	137	177
European Free Trade Association	382	449	365	375
Austria	19	22	56	51
Finland	3	8	10	12
Iceland	*na*	*na*	*na*	*na*
Norway	*na*	*na*	*na*	*na*
Sweden	78	52	9	68
Switzerland	169	167	200	170
Other Western Europe	41	27	33	118
North America	**2,537**	**2,148**	**2,508**	**4,060**
Canada	388	283	377	541
United States	2,149	1,865	2,131	3,519
Other developed countries	**1,133**	**1,187**	**981**	**1,332**
Australia	565	523	492	684
Japan	58	158	48	106
New Zealand	117	146	115	139
South Africa	393	360	326	403
Rest of the world	**2,490**	**2,261**	**2,109**	**2,522**
Africa	418	399	349	323
Middle East	236	202	186	232
Other Asia	755	640	762	1,033
Caribbean, Central and South America	1,061	1,020	787	916
Other	20	–	24	18
World	**7,718**	**7,648**	**7,691**	**10,945**
Commonwealth	2,884	2,498	2,468	2,910
Developing countries	2,490	2,261	2,109	2,522
Oil-exporting countries†	468	427	368	372

*Excluding miscellaneous transactions.
na = not available.
†Algeria, Ecuador, Gabon, Gulf States, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, Trinidad and Tobago, and Venezuela.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 4

Net Overseas Direct Investment in Britain Analysed by Area*

£ million

	1984	1985	1986	1987
Western Europe	**−1,780**	**1,757**	**3,264**	**3,056**
European Community	−2,073	1,329	2,375	2,851
Belgium and Luxembourg	132	82	243	362
Denmark	34	7	60	18
France	319	227	218	903
Federal Republic of Germany	−218	54	182	138
Greece	*na*	*na*	*na*	*na*
Irish Republic	*na*	6	19	53
Italy	32	73	75	32
Netherlands	−2,379	859	1,579	1,343
Portugal	*na*	*na*	*na*	*na*
Spain	−2	15	1	2
European Free Trade Association	286	426	886	203
Austria	1	4	2	1
Finland	15	−7	−17	8
Norway	34	22	45	123
Sweden	40	40	36	222
Switzerland	196	368	820	−151
Other Western Europe	7	2	3	3
North America	**1,449**	**1,778**	**1,265**	**1,960**
Canada	−56	128	−17	913
United States	1,505	1,651	1,282	1,047
Other developed countries	**−9**	**−97**	**137**	**1,941**
Australia	3	−143	83	916
Japan	−6	123	43	763
New Zealand	*na*	*na*	20	*na*
South Africa	*na*	*na*	−9	*na*
Rest of the world	**94**	**256**	**28**	**860**
Asia	−63	151	23	511
Caribbean, Central and South America	94	94	24	357
Other	64	12	−19	−8
World	**−246**	**3,694**	**4,695**	**7,817**

*Excluding miscellaneous.
na = not available.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 5

Net Outgoings from Direct Investment in Britain Analysed by Area*

£ million

	1984	1985	1986	1987
Western Europe	**1,897**	**2,029**	**1,426**	**1,763**
European Community	1,689	1,755	1,204	1,459
Belgium and Luxembourg	44	71	89	–
Denmark	16	29	38	37
France	326	342	219	213
Federal Republic of Germany	133	129	−43	150
Greece	*na*	*na*	*na*	*na*
Irish Republic	44	49	82	79
Italy	*na*	103	31	22
Netherlands	1,145	1,023	797	944
Portugal	*na*	*na*	*na*	*na*
Spain	−5	6	−6	17
European Free Trade Association	206	271	216	300
Austria	–	2	−5	−4
Finland	−2	6	1	−6
Norway	4	−35	−33	−27
Sweden	32	46	31	80
Switzerland	172	252	223	257
Other Western Europe	2	3	5	4
North America	**3,893**	**4,855**	**3,117**	**4,097**
Canada	255	255	279	55
United States	3,638	4,601	2,838	4,042
Other developed countries	**357**	**411**	**563**	**432**
Australia	45	51	123	109
Japan	277	336	408	280
New Zealand	11	3	4	9
South Africa	24	21	28	33
Rest of the world	**123**	**203**	**97**	**279**
Asia	28	60	20	164
Caribbean, Central and South America	92	128	61	121
Other	3	16	16	−6
World	**6,271**	**7,499**	**5,203**	**6,571**

*Excluding miscellaneous.
na = not available.
Note: Differences between totals and the sums of their component parts are due to rounding.

succession. Investment from the Community increased, with a particularly sharp rise from France. Other countries, notably Japan and Australia, also substantially increased their investment in Britain. The pattern of inward investment in Britain has thus been changing – from being predominantly from the United States to being shared by the European Community, Japan, Australia and Canada.

Outgoings from Inward Investment

Net outgoings from inward investment increased by a quarter between 1986 and 1987 (see Table 5). Those of oil companies rose by 22 per cent, reflecting partly the upturn in the price of North Sea oil from the low level of 1986 but mainly the improvements in refining and distribution margins. There was a marked fall in the net earnings of foreign banks in Britain largely because of their provisions for developing countries' debt.

In terms of area, 62 per cent of outgoings were to North America and 22 per cent to the European Community. The United States alone accounted for over 60 per cent. This is a reflection of the dominant position of the United States – established over a period of years – in investment in Britain. Because of the lag between investment and the resulting flow of interest, profits and dividends, those countries whose investments were made only recently do not feature strongly with regard to outgoings.

Outgoings to the European Community grew by 21 per cent in 1987 while those to other developed countries fell by 23 per cent. The reduction in the Japanese figure resulted largely from the fall in the profits of Japanese securities dealers in Britain.

Cross-border Acquisitions and Mergers in 1988

The value and number of acquisitions and mergers overseas carried out by British companies almost doubled between 1986 and 1988. The value of corresponding transactions in Britain by overseas companies also nearly doubled, although their numbers increased more slowly.

Cross-border acquisitions and mergers in 1988 are analysed in the 17/24 March issue of *British Business*. Some 595 acquisitions by, and mergers with, overseas companies by British firms were valued at £16,660 million in 1988, sharply higher than the £8,900 million at which 317 transactions were valued in 1986. Foreign firms' activities with acquisitions and mergers in Britain increased during the same period: some 52 transactions were valued at £2,900 million in 1986, while in 1988, 72 acquisitions and mergers were valued at £5,600 million (see Table 1).

Major Transactions

Most major transactions during 1988 were in the United States. These included BAT Industries' purchase of the insurance company Farmers for £2,800 million, the sale of Macmillan to Maxwell Communication Corporation for £1,414 million, the construction firm Beazer's acquisition of the building materials company Koppers for £944 million and Tate and Lyle's purchase of Staley Chemicals for £784 million. The high total value of disposals of overseas investments by British companies was partially accounted for by the sale of the Inter-Continental Hotels Corporation of the United States by Grand Metropolitan for some £1,350 million. The biggest acquisition by a foreign firm of a British company was that of Rowntrees by Nestlé of Switzerland for about £2,500 million.

Area Analysis

Table 2 gives details by country and region of cross-border acquisitions and mergers overseas by British firms. Such activities by British firms in the United States accounted for about half of all transactions in 1988 and 83 per cent of the value of all transactions. Disposals of subsidiaries in the United States by British companies amounted to just under two-fifths of the number and over four-fifths of the value of all disinvestments during 1988. Acquisitions and mergers in the European Community involving British firms amounted to about one-third of all transactions in 1988, and although the average value of a transaction within the Community was considerably smaller than in the United States, the number of transactions there each year is growing at a faster rate than elsewhere.

The European Community was the source of the majority of acquisitions and mergers involving overseas companies in Britain in 1988 (see Table 3); most of these, amounting to over two-thirds of the Community total, were made by French companies.

Table 1

Summary of cross-border acquisitions and mergers *Values: £'000 million*

	Transactions overseas by British companies				Transactions in Britain by overseas companies			
	Acquisitions		Disposals		Acquisitions		Disposals	
	Number	Value	Number	Value	Number	Value	Number	Value
1986	317	8·9	117	2·2	52	2·9	15	0.5
1987	420	11·6	116	3·9	58	2·7	16	1·2
1988	595	16·6	108	3·7	72	5·6	22	0·6

Source: *British Business* 17/24 March 1989

Table 2

Cross-border Acquisitions and Mergers Overseas by British Companies Analysed by

	Acquisitions and Mergers				
	1986[a]		1987		
	Number	Value	Number	Value	Nu
European Community					
(except Greece and Portugal)	**62**	**643**	**121**	**1,188**	**1**
Belgium and Luxembourg	–	–	10	68	
Denmark	–	–	3	35	
France	–	–	19	62	
Federal Republic of Germany	–	–	27	232	
Irish Republic	–	–	13	79	
Italy	–	–	13	84	
Netherlands	–	–	18	470	
Spain	–	–	16	151	
North America	**195**	**8,151**	**209**	**9,487**	**3**
Canada	–	–	17	377	
United States	–	–	192	9,110	2
Other Developed Countries	**26**	**104**	**49**	**600**	
Australia	–	–	21	317	
Japan	–	–	5	27	
New Zealand	–	–	1	. .	
Sweden	–	–	5	28	
Switzerland	–	–	8	131	
Developing Countries	**34**	**41**	**41**	**314**	
Africa	–	–	11	10	
Asia	–	–	18	136	
Caribbean, Central and South America	–	–	12	168	
Other countries	–	–	0	0	
World	**317**	**8,940**	**420**	**11,588**	**5**

[a] Breakdowns by individual countries and regions are not available for 1986.

na = not available.

. . = Figures suppressed to avoid disclosure of information relating to individual enterprises.

Notes: In certain cases, area totals exceed the sum of component country totals, due to the exclusion of some countries. Elsewhe

ed by Area

Values: £ million

	Disposals							
	1988		1986[a]		1987		1988	
	Number	Value	Number	Value	Number	Value	Number	Value
	186	**1,649**	**26**	**140**	**30**	**613**	**22**	**147**
	16	74	–	–	3	37	4	20
	4	31	–	–	2	. .	0	0
	43	567	–	–	4	6	6	12
	32	253	–	–	7	266	2	*na*
	3	11	–	–	5	12	3	25
	19	123	–	–	1	*na*	3	72
	39	470	–	–	5	138	3	5
	24	100	–	–	2	*na*	0	0
	311	**13,901**	**52**	**1,923**	**42**	**2,916**	**55**	**3,114**
	21	130	–	–	7	155	9	109
	290	13,771	–	–	35	2,761	46	3,005
	61	**1,000**	**25**	**82**	**29**	**255**	**21**	**349**
	28	533	–	–	8	107	9	143
	2	. .	–	–	4	32	5	18
	10	335	–	–	3	37	. .	. .
	5	7	–	–	6	17	0	0
	5	83	–	–	0	0	0	0
	37	**87**	**15**	**27**	**15**	**158**	**10**	**113**
	3	2	–	–	1	1	1	57
	21	76	–	–	8	76	4	28
	11	7	–	–	6	81	5	28
	2	1	–	–	0	0	0	0
	595	**16,636**	**117**	**2,172**	**116**	**3,942**	**108**	**3,722**

Source: *British Business* 17/24 March 1989

Elsewhere, slight differences between totals and the sum of their component parts are due to rounding.

Table 3

Cross-border Acquisitions and Mergers in Britain by Overseas Companies Analysed

	Acquisitions and Mergers				
	1986[a]		1987		
	Number	Value	Number	Value	N
European Community					
(except Greece and Portugal)	**14**	**1,098**	**12**	**979**	
Belgium and Luxembourg	–	–	2	299	
Denmark	–	–	0	0	
France	–	–	4	565	
Federal Republic of Germany	–	–	1	*na*	
Irish Republic	–	–	0	0	
Italy	–	–	1	*na*	
Netherlands	–	–	4	54	
North America	**16**	**263**	**21**	**334**	
Canada	–	–	2	109	
United States	–	–	19	225	
Other Developed Countries	**20**	**1,508**	**24**	**1,368**	
Australia	–	–	5	679	
Japan	–	–	4	10	
New Zealand	–	–	3	450	
Norway	–	–	3	47	
Sweden	–	–	6	107	
Switzerland	–	–	3	74	
Developing Countries	**2**	**5**	**1**	**21**	
Asia	–	–	1	21	
Caribbean, Central and South America	–	–	0	0	
Other countries	–	–	0	0	
World	**52**	**2,874**	**58**	**2,701**	

[a] Breakdowns by individual countries and regions are not available for 1986.
[b] Values not published separately and included in those for the United States.
na = not available.
Notes: In certain cases, area totals exceed the sum of component country totals, due to the exclusion of some countries. Else

alysed by Area

Values: £ million

ers		Disposals					
1988		1986[a]		1987		1988	
Number	Value	Number	Value	Number	Value	Number	Value
27	**1,283**	**2**	**136**	**3**	**282**	**4**	**78**
0	0	–	–	0	0	0	0
1	24	–	–	0	0	0	0
15	892	–	–	0	0	1	*na*
6	67	–	–	1	133	1	52
2	15	–	–	0	0	0	0
1	*na*	–	–	2	149	1	*na*
2	285	–	–	0	0	1	26
20	**981[b]**	**12**	**399[b]**	**11**	**901**	**12**	**173**
3	[b]	–	–	2	[b]	2	39
17	981	–	–	9	901	10	134
19	**3,167**	**1**	***na***	**2**	**15**	**4**	**96**
4	62	–	–	1	9	0	0
3	29	–	–	0	0	1	*na*
1	2	–	–	0	0	1	63
1	115	–	–	0	0	1	6
6	278	–	–	1	6	1	27
1	*na*	–	–	0	0	0	0
6	**189**	**0**	**0**	**0**	**0**	**2**	**304**
6	189	–	–	0	0	0	0
0	0	–	–	0	0	2	304
0	0	–	–	0	0	0	0
72	**5,619**	**15**	**535**	**16**	**1,198**	**22**	**651**

Source: *British Business* 17/24 March 1989

ies. Elsewhere, slight differences between totals and the sum of their component parts are due to rounding.

Industrial Relations

Government proposals for further reforms in industrial relations, including measures on the pre-entry 'closed shop', were set out in a Green Paper published on 20 March.

The Green Paper[1] says that the Government has given 'high priority to a programme of step-by-step reform of industrial relations and trade union law, a major purpose of which has been to remove unnecessary barriers to jobs'.[2] The removal of barriers to economic efficiency has made an important contribution to the improvement in employment, with a substantial increase in the workforce in employment and a considerable decline in unemployment (see p 429, 1988, and p 135). However, 'it is essential to continue the search for greater flexibility and to examine obstacles to the growth of jobs which still remain', and the Government has to ensure that the legal framework for industrial relations is adapted to the needs of the 1990s. Accordingly, it is proposing a number of measures and inviting comments on these by 20 June.

Pre-entry Closed Shop

There are two main forms of the 'closed shop' (where a worker has to be a member of a trade union): the post-entry closed shop, where an employer may take on an employee provided that he or she joins the union shortly after starting the job; and the pre-entry closed shop, where an individual has to be accepted as a union member before starting work in a job covered by the arrangement. The Government has reviewed the operation of the pre-entry closed shop and examined employers' reaction to having been given the freedom to abolish closed shop arrangements.

Extent

The Green Paper says that the number of people in all closed shops had fallen to about 2.6 million in early 1989 (according to a specially commissioned survey), compared with a peak of over 5 million in 1978. The survey estimates that the pre-entry closed shop covers around 1·3 million workers – 800,000 workers in jobs where it is necessary to be a union member before being considered for the job, and about 500,000 workers in jobs where new workers are required to join a union before starting work. The pre-entry closed shop is found across all major sectors of the economy, largely reflecting its importance in traditional craft occupations, and its extent is more widespread than previously estimated. It is concentrated in shipping, printing, manufacturing, the theatre and the London wholesale markets. About 1·3 million workers are covered by post-entry closed shops. Evidence obtained during the Government's review shows that formal closed shops are unlawful in many European Community countries and are rare even where they are not unlawful.

[1] *Removing Barriers to Employment: Proposals for the Further Reform of Industrial Relations and Trade Union Law.* Cm 655. Department of Employment. HMSO, £3·20. ISBN 0 10 106552 3.

[2] For information on the main legislative measures taken – the Employment Act 1980, the Employment Act 1982, the Trade Union Act 1984 and the Employment Act 1988 – see COI reference paper *Industrial Relations in Britain*, No 187/89.

Effects and Need for Action

The Government's review finds that the closed shop, particularly the pre-entry version, can raise labour costs very significantly, with adverse effects on profitability and on jobs. 'It is estimated that if it had never existed and labour costs had consequently been 10 per cent lower for the workers currently covered by pre-entry closed shops, the direct effect would be that aggregate employment would be higher by over 100,000.' According to the Green Paper, the pre-entry closed shop is 'an infringement of the liberty of the individual'. Although as a result of the Government's earlier legislation few employers now attempt to enforce post-entry closed shops, employers in general have made limited use of the ability to abolish closed shops. In addition, informal pre-entry arrangements remain widespread.

The review's findings constitute a substantial case for further legislation, the Green Paper continues. Previous Employment Acts have eliminated many of the worst abuses of the closed shop, so that any discriminatory action (including dismissal) against an individual on the grounds of non-membership of a union is now unfair and industrial action to enforce any closed shop is unlawful. However, it is still lawful for an employer to discriminate against workers who are not trade union members by refusing to engage them. Accordingly, the Government is proposing to close this loophole by legislation which would provide a right of complaint to an industrial tribunal for anyone whom an employer refused to engage on the grounds of non-membership of a union (or of a particular union) or on the grounds of failure to give a commitment to become a member after taking up a job.

Industrial Action

The Green Paper reports the major improvement in Britain's industrial relations which has occurred in the last decade (see pp 274-6, 1988). The number of stoppages recorded in each of the years 1985 to 1988 has been lower than in any other year since 1940. Legislative reform, it states, has contributed significantly to the important changes of attitude which have made the improvement in industrial relations possible. The law has an essential role in defining the limits within which industrial action can legally be organised, but these limits must be subject to periodic review and the law must be adapted to current needs and those of the 1990s.

Various considerations point to the need to change the law on immunity for organising 'secondary' action, the Green Paper continues. The Government's view is that, in general, 'there is no good reason why employers who are not party to a dispute should be at risk of having industrial action organised against them'. Secondary action may deter potential employers from establishing operations in Britain, with harmful effects on investment and jobs. The Government is therefore proposing to make it unlawful to induce industrial action by workers of an employer not party to a trade dispute, except in the case of lawful picketing.

The Green Paper points out that the legislation requiring a properly held ballot before a union authorises industrial action was 'a major step forward to secure union members' rights and make unions

properly accountable to their members'. However, these legal requirements only apply in respect of action taken by those engaged under contracts of employment. Many union members work under other arrangements, for example, 'freelance' workers and self-employed construction workers who are engaged on contracts 'for services' rather than 'of employment'. The Government is therefore proposing to amend the law to encompass these other arrangements. The proposals would involve ensuring that union members working under contracts for services had the same right to a properly conducted ballot as those working under contracts of employment, while the definition of secondary action would be extended to include action by those working under contracts for services.

Commissioner for the Rights of Trade Union Members

To help trade union members in enforcing their statutory rights, the Employment Act 1988 (see pp 377-8, 1987) provided for the establishment of a Commissioner for the Rights of Trade Union Members, who is empowered to grant assistance to a union member contemplating or taking court proceedings against his or her union where such proceedings are necessary to enforce certain statutory rights. The Government is now inviting comments on its proposals to enable the Commissioner to appear alongside the assisted person in the title of assisted proceedings and to extend the scope of the Commissioner's assistance.

Training

The Government has given more details of the arrangements for training and enterprise councils, which will be responsible for delivering training and business growth programmes at a local level. Other recent developments in training include the proposed creation of a Northern Ireland Training and Employment Agency, the Government's decision to privatise the Skills Training Agency and the allocation of increased funds to the Open College.

Training and Enterprise Councils

The concept of training and enterprise councils was announced in the Government's White Paper in December 1988 (see pp 429-35, 1988),[1] and more details were given by the Secretary of State for Employment, Mr Norman Fowler, on 10 March on the publication of the councils' prospectus.[2] Mr Fowler said that there would be a network of 100 councils, established over the next three to four years, with the first beginning to operate within the next year. They would be employer-led bodies, responsible for overseeing expenditure on programmes totalling nearly £3,000 million a year. Budgets for each council would range from £20 million to £50 million a year. Councils would cover an area with a working population averaging about 250,000. The programmes administered would include the Youth Training Scheme (see p 433, 1988), Employment Training (see pp 108-11, 342, and 433, 1988), Business Growth Training (see p 64), Small Firms Counselling (see p 317, 1988) and the Enterprise Allowance Scheme (see p 110, 1988).

Mr Fowler said that to meet the needs of the 1990s people had to have 'the right skills necessary to sustain the country's business growth' and the councils represented 'the single most radical step in that direction'. Training and enterprise had to have a local focus and if national programmes were to be effective 'they must be tailored to meet the special needs of people and employers at the local level'.

Functions

The prospectus says that the councils offer employers, in partnership with the community, 'an unprecedented opportunity to reskill the workforce and stimulate business growth'. The fundamental aim of each council will be to foster economic growth and contribute to the regeneration of its community. 'Its special focus will be on strengthening the skill base and assisting local enterprise to expand and compete effectively.' It will have the task of developing the quality, effectiveness and relevance to the local labour market of the training and business assistance programmes formerly run by the Department of Employment. New projects and activities will be developed to increase the effectiveness of training and enterprise markets. Councils will work with schools and colleges to raise skill levels and smooth the transition from education to work.

Each council will be an independent company, operating under a performance contract with the Government. Two-thirds of the board of directors will be private sector employers, at chief executive or managing director level. They are expected to reflect broadly the local pattern of commerce and industry and to include executives with experience of running small businesses as well as major employers. The balance of the board may be drawn from leaders of education, economic development, trade unions, voluntary organisations and the public sector.

National Training Task Force

In January 1989 the National Training Task Force was established to advise the Secretary of State for Employment and to assist in carrying out his training responsibilities throughout Britain. Its main purpose is to help with the formation and development of the training and enterprise councils. Its principal concern will be to ensure that each council 'meets standards of excellence with respect to its board and management, and its capacity to deliver high quality programmes'. All council applications for development funds and contracts will be reviewed by the task force.

Northern Ireland Training and Employment Agency

The Government's decision to establish a Training and Employment Agency to inherit the training role of the Northern Ireland Department of Economic

[1] Offprinted as COI reference paper *Employment Policy and Training in Britain*, No 322/88.

[2] *Training and Enterprise Councils: A Prospectus for the 1990s*. Available unpriced from the Training Agency, Moorfoot, Sheffield S1 4PQ.

Development was announced on 9 March by Mr Peter Viggers, Parliamentary Under-Secretary of State for Northern Ireland. This follows changes in government support for training elsewhere in Britain announced in 1988 (see pp 429-33, 1988).

Details are given in a report, *Training and Employment Services in Northern Ireland*,[1] which says that the Training and Employment Agency will be an executive agency within the Department of Economic Development and is planned to begin operating not later than 1 April 1990. Its operation will cover the services administered within the Department's labour market group (including the Employment Service run largely through its 28 jobmarkets) as well as the statutory functions of the eight industrial training boards in Northern Ireland and the Northern Ireland Training Authority.

Its role will be to implement government policy in the labour market and maximise the contribution of employment and training services towards strengthening the Northern Ireland economy. As well as the administration of Employment Services, its other training responsibilities will include the administration of training services and grants, identifying the training needs of industry and helping to ensure that they are met, encouraging investment in training by industry, and stimulating the development of training activity within the private sector.

Mr Viggers said that he would welcome proposals from the training boards to convert themselves into non-statutory organisations which would provide training services and advice. They would be financed by subscriptions, fees and charges rather than by the existing training levy, which would be phased out within three years. This reflects the Government's policy of encouraging more training within the private sector.

Skills Training Agency

The Government's proposal to sell the Skills Training Agency was announced by the Secretary of State for Employment in the House of Commons on 13 March (*Hansard*, Vol 149, No 68, cols 23-4). Mr Fowler said that the Agency provided training mainly in traditional craft skills through a network of 60 skillcentres, and its main source of income had been selling training services to the Training Agency for the training of unemployed people. The Skills Training Agency had broken even in only one of the last five years and in 1988-89 was expected to make a loss of nearly £20 million. About one-third of its centres were seriously underused, mostly in southern England, reflecting the substantial fall in unemployment.

Mr Fowler said that he had been advised that there was no reason why the Agency should not move to the private sector and that there was a viable core business for skillcentres. However, he had now been approached by some senior members of the Agency who wished to propose a management buy-out. This would be an effective way of ensuring the Government's aim of the Agency becoming a viable business providing good training for both unemployed and employed people and offering a good career for its employees. Accordingly, he had commissioned the necessary preparatory work with a view to offering the Agency for sale through a private tender process. The sale would be open to all interested parties, but he intended to give the management buy-out team assistance to make a bid.

[1]Available unpriced from the Northern Ireland Department of Economic Development, Netherleigh, Massey Avenue, Belfast BT4 2JP.

Open College

Further funds for the Open College (an independent company which uses broadcasting and works with industry and education to promote open and flexible learning) were announced by the Minister of State for Employment, Mr John Cope, in the House of Commons on 16 March (*Hansard*, Vol 149, No 72, written answers, cols 309-10). Mr Cope said that the Government was discussing with the College arrangements for funding, which would be up to a maximum of £12 million for its commercial activities over the next three years, and a further £6 million for its broadcasting activities. Self-financing of the College within three years remained the Government's aim and the funding was subject to agreement on the College's business plan setting out the route to meet this aim.

Mr Cope said that the College's recent performance had been very encouraging. Sales of courses were over 5,000 a month and more than 60,000 people had taken its courses since its inception in 1987 (see p 335, 1987). About 600 companies were associated with the College, and many major companies and organisations were collaborating with the College to produce training materials to meet their specific training needs.

Information Technology Policy

The Government has published a White Paper in reply to the House of Commons Trade and Industry Select Committee's report on information technology. The White Paper is a comprehensive statement of the Government's policy towards information technology.

The Select Committee's report (see p 34) argued that the Government had no strategy for information technology (IT) and failed to co-ordinate the various aspects of the subject in which it was inevitably involved. The Committee believed that research and development, infrastructure, public procurement and government use, the setting of standards and the negotiation of reciprocal access to other markets could be drawn together more effectively. In response, the White Paper[1] states the Government's five main policy objectives towards IT:

– to promote the widespread use of IT within Britain in accordance with best practice, so that businesses and others can become more efficient through the use of IT to meet their needs;

– to stimulate the provision of education and training to meet the needs of IT users and suppliers for suitably skilled manpower;

[1]*Information Technology*. The Government's response to the First Report of the House of Commons Trade and Industry Committee: Session 1988-89. Department of Trade and Industry. Cm 646. HMSO, £4·80. ISBN 0 10 106462 4.

– to improve the efficient functioning of the IT market and to encourage its development by liberalising the telecommunications market (see p 66), supporting the development of international standards, and promoting open markets internationally;

– to support basic research in higher education institutions and to encourage British firms to use this and other research to strengthen their technological capability, where appropriate with European partners; and

– to make the fullest possible cost-effective use of IT within government to increase the efficiency and effectiveness of public administration and to achieve the business objectives of each government department.

The Government's Approach to IT

In the implementation of policy, the White Paper rejects three themes of the Select Committee's report. First, the Government does not believe that it is feasible or desirable for all aspects of IT policy to be the responsibility of a single minister or department, although the Department of Trade and Industry (DTI) has a broad role in relation to the IT market as a whole.

Secondly, answering the claim that government should make greater use of its influence in the market-place to promote wider policy objectives, the Government rejects the implied premise that central government, or the public sector, can be regarded as a single purchaser. It is for each department to determine an information systems strategy that best meets its own needs, with the benefit of central advice and support. Moreover, the Government does not consider that public procurement should be used as a policy instrument to stimulate the use of technology.

Thirdly, the Government does not accept the view that a significant realignment of the responsibilities of the DTI and the Central Computer and Telecommunications Agency (CCTA) is required. The changes proposed by the Select Committee would serve to confuse the complementary roles of the two organisations. The DTI works through the economy to promote best practice, to stimulate technology transfer, to improve the efficiency and competitiveness of the IT market, and to encourage collaborative research. This role extends to the public sector, especially in relation to technology transfer and standards. The CCTA, which is part of the Treasury, is responsible for promoting business efficiency and value for money in the development and use of information systems by government departments and agencies. A new DTI/CCTA high-level link has been established to formalise existing links on matters of common interest.

Use of IT

As part of the DTI's Enterprise Initiative (see p 53, 1988) the Financial and Information Systems Consultancy Initiative provides subsidised advice for businesses with up to 500 employees on improving existing information systems or introducing new ones. The Manufacturing Systems Consultancy Initiative provides expert advice on modern manufacturing methods, including computer-aided design and flexible manufacturing systems. The Advanced IT technology transfer programme promotes a better understanding of the business benefits to be gained from software engineering, expert systems, advanced computer systems architectures and improved human–computer interaction.

The consultancy initiatives are rigorously evaluated, not to monitor the take-up of IT but to provide a firm indication of the impact the consultancies have had on management thinking and on firms' readiness to adopt best practices. The Government is sympathetic to the Select Committee's suggestions that more authoritative indicators of IT use should be developed. While seeing difficulties, it has already started to collect certain basic information.

The White Paper echoes the Select Committee's concern that use of IT may be constrained by uncertainties about the economic benefits to be gained from it, especially as a strategic management tool. The DTI has commissioned a study to investigate the factors bearing on the effectiveness of information systems, especially in small and medium-sized firms.

IT Skills

The use of IT in the learning process is being encouraged at all levels in the education system. In schools the DTI's Micros in Schools schemes and the Department of Education and Science's (DES's) Microelectronics Education Programme (see p 143, 1984 and p 110, 1987) have provided initial hardware and software and some teacher training. The DES's current five-year IT in Schools initiative aims at increasing the extent and effectiveness of schools' use of IT in teaching and learning for pupils of all ages and abilities. The first statutory attainment targets in the new National Curriculum – those for mathematics and science – will include targets covering IT. The use of IT will also be taken into account in determining attainment targets and programmes of study for other subjects within the National Curriculum (see p 426, 1987).

In colleges the Government funds local education authority grants for additional computer equipment, additional teaching materials and more in-service training. The Government recognises that it is vital for students to have access to up-to-date IT equipment during their studies. In the higher education sector the University Grants Committee, the Computer Board for Universities and the Research Councils have supported 140 projects to apply IT to teaching across the whole subject spectrum. The Computer Board will be reporting on its initiative to encourage donations of equipment to universities by equipment suppliers. The Engineering and Technology Programme (ETP), launched in 1985, will by 1990 have provided 5,000 extra places at undergraduate and postgraduate level, 80 per cent in IT-related subject areas. The White Paper cites postgraduate conversion courses as having been particularly successful.

The Select Committee singled out for special mention courses at the University of Salford and Cranfield Information Technology Institute, both of which are supported by business and receive funding from the ETP. The White Paper argues that other similar courses are already well established and that the necessary dialogue between academic institutions and individual employers is best carried out at a local level.

IT training features prominently in the Training Agency's High Technology National Training initiative and is a compulsory element in all Youth Training Scheme Programmes (see p 433, 1988). It is a component, too, in schemes such as the DES's Professional, Industrial and Commercial Updating Programme, launched in 1982 (see p 29, 1987).

The Government agrees with the Select Committee on the importance of information on the expenditure by industry on IT training, but believes that a requirement that such information be disclosed in company accounts would be impractical.

Improving the IT Market

The Government is committed to open and competitive markets both domestically and internationally. With the development of IT networking capabilities communications become increasingly important. The Government has introduced competition at all levels of telecommunications, but it has no plans to require the creation of a national broadband network based on optical fibre cable. The choice of technology used and the rate and extent of its introduction are matters for commercial judgement by the network operators.

The White Paper welcomes the emphasis the Select Committee gave to the importance of standards in the IT field, particularly standards designed to provide for the interconnection of different makes of IT products. The Government is a firm supporter of the International Organisation for Standardisation's framework of 'open systems interconnection' (OSI). The DTI's Open Systems technology transfer programme under the Enterprise Initiative aims at stimulating the business use of OSI standards, which, the White Paper points out, are mandatory for public procurement throughout the European Community. A report commissioned jointly by the DTI and the British Standards Institution (BSI) proposes that within the framework of the BSI a new body should be established to formulate British strategy for IT standards generally.

The Government seeks an indigenous IT supply capability, but believes that the best long-term approach is to maintain open and competitive international markets rather than to protect British firms. It is working towards non-discriminatory access to all international markets in accordance with the principles of the General Agreement on Tariffs and Trade, and the relaxation of American re-export controls. Following a suggestion of the Select Committee, the DTI is writing to a number of leading IT firms, inviting their participation in an exercise to establish their individual 'balance of trade' with a view to identifying the scope for increased purchase of British components.

Research and Development

Government support for research and development (R and D) in IT emphasises pre-competitive collaborative work, especially within European programmes such as the European Strategic Programme for Research and development in Information Technology (ESPRIT, see p 285, 1988) and Eureka (see p 246, 1988).

The DTI has brought together virtually all its IT R and D activities in a new unit, the Information Engineering Directorate. The Directorate includes industrialists on secondment from firms and academics loaned by universities, as well as civil servants. Academic research is primarily the responsibility of the Science and Engineering Research Council (SERC), which reserves a significant proportion of its funds for basic, high-quality, curiosity-driven work. The DTI and the SERC have jointly established the Information Technology Advisory Board and a supporting structure of committees to serve both organisations. The Board advises on all aspects of DTI and SERC support for IT R and D, and should enable a more coherent approach to be developed.

Addressing concerns expressed by the Select Committee on the allocation of R and D priorities and the continuity of funding, the White Paper states that priorities are decided following detailed consultation with industry and academics. They take account of work carried out overseas, for example, in Japan. The national effort for collaborative IT R and D will in future take the form of a series of focused programmes within an overall framework, reflecting the particular circumstances of the topic concerned as well as any corresponding work in Europe. Continuity of funding for fundamental research will be maintained.

The Information Engineering Advanced Technology Programme, funded by the DTI and the SERC, succeeds the Alvey programme (see p 34, 1987) and limits the total contribution to projects from public funds to 50 per cent. The Government is satisfied that this is sufficiently attractive to small firms even when they receive less than 50 per cent because their academic partner receives 100 per cent. There are four IT LINK programmes (see pp 70-1 and 246-7, 1988) and additional programmes on high temperature superconductivity and gallium arsenide. European programmes in which Britain is involved include ESPRIT, RACE (communications), AIM (medical informatics), DELTA (distance learning) and DRIVE (IT in road transport). British firms participate in a number of Eureka projects, including ESF (Eureka Software Factory) and FAMOS (flexible assembly in manufacturing). It is forecast that, including support of European programmes, government expenditure on IT R and D in 1989-90 will be about £100 million.

Use of IT in Government

Responding to the Select Committee's recommendation that the role of the CCTA should be redefined, the White Paper considers at some length what that role is. Departments are responsible and accountable for developing strategic IT plans to meet their business needs and making suppliers aware of them. The CCTA supports departmental responsibilities by making sure that there are appropriate formal mechanisms for planning information systems, improving departments' awareness of the potential of IT, promoting the availability of improved quality and timeliness, and encouraging the use of standards.

The CCTA provides a procurement service which departments may, but are not required to, use. Procurement procedures are reviewed regularly. Much of the CCTA's work on standards is designed to simplify the specification of requirements and reduce procurement timescales. In recent years the CCTA

has developed Standing Arrangements as a straightforward means of handling standard IT purchases. In 1987-88, 88 per cent of all contracts for IT were placed by departments under these arrangements, without further CCTA involvement of any kind.

IT procurement is subject to HM Treasury guidelines on public purchasing. There is no difficulty in taking a longer-term perspective in investment appraisal. The timescales used in any particular case will be chosen to reflect the life of the investment, and investment appraisal techniques can accommodate investments with long paybacks in line with departments' information technology strategy.

Departments are increasingly using IT consultancy services. By the mid-1990s as much as one-third of departments' IT systems development and computer operations could be performed by the private sector.

The Government firmly endorses the need for senior management awareness and experience of IT in the Civil Service. Senior managers need to appreciate what IT has to offer and be actively involved in the strategic planning process and in managing IT-induced change. As IT becomes more widespread, middle managers increasingly gain experience on the job; as people move up, further training is given. The Civil Service College provides courses for the highest grades. Senior officials are regularly involved in discussions and presentations at IT steering committees, with contributions from outside consultants, internal IT professionals and the CCTA.

HM Inspectorate of Pollution: First Annual Report

The first annual report of Her Majesty's Inspectorate of Pollution, which was established in April 1987, was published on 22 March.

Announcing its publication in the House of Commons (*Hansard*, Vol 149, No 76, written answers, col 646), Mrs Virginia Bottomley, Parliamentary Under-Secretary of State for the Environment, said that the report,[1] which came at a time of increased awareness of environmental and pollution issues, gave a full account of the Inspectorate's activities and achievements in its first year of operation and touched on some of the major developments in 1988-89. The Inspectorate had been set up to provide a more effective and efficient basis for carrying out pollution control, and its formation had laid the foundation for an integrated approach. Britain had taken the lead in Europe in preparing an integrated pollution control system which could achieve a lasting overall reduction in pollution. The Government accepted that improving environmental standards demanded high levels of monitoring and adequate resources, and had made 13 more appointments to the staff of the Inspectorate in order to strengthen it.

Her Majesty's Inspectorate of Pollution (HMIP), which operates in England and Wales,[1] brought together three previous inspectorates, the Industrial Air Pollution Inspectorate, the Radiochemical Inspectorate and the Hazardous Waste Inspectorate, and took on a new role in the control of water pollution (see pp 300-1, 1986). Its initial responsibilities included the development of the concept of the best practicable environmental option, which emphasises the protection and conservation of the whole environment, and not just one element in isolation.

During its first, transitional, year, the report says, the Inspectorate gave priority to amalgamating its predecessors. It also made a significant contribution to the development of theory and practice in integrated pollution control by starting a series of case studies to investigate the scope for developing a multi-disciplinary approach and to identify the practical and legal constraints. The report outlines proposals for the reorganisation and further integration of the Inspectorate's activities in preparation for the introduction of legislation on integrated pollution control (see p 291, 1988).

Detailed accounts of inspection work and related issues are presented in the report in relation to HMIP's four branches – Air, Water, Waste and Radioactive Substances, together with statistical information on pollution control activity.

Air Pollution

In 1987-88 the Air Inspectors made over 9,130 visits to or in connection with scheduled works, in line with a proposed figure of 9,000. Complaints were made about 342 registered processes, mainly relating to deposition from mineral-based processes and odours from chemical processes near older plants. A total of 25 infractions of legislation were recorded in 1987-88, compared with 26 in 1986. HMIP has continued to provide technical support to the Department of the Environment's Air Quality Division on international pollution matters, such as the European Community's directive for controlling emissions of sulphur dioxide, oxides of nitrogen and particulates from large combustion plants, and the development of an international protocol to limit national emissions of oxides of nitrogen.

Water Pollution

The Water Inspectors investigated those water authority sewage treatment works reported by the water authorities as not having met the terms of their discharge consents during 1986 (see p 108). Inadequate equipment and maintenance were the main problems identified, but only in a minority of cases were the receiving waters significantly affected. Bringing sub-standard works into compliance with their discharge consents (see p 23) and implementing guidelines on the operation of long sea outfalls consistent with the European Community Bathing Water Directive (see p 109) would be incorporated into the water authorities' capital works programmes.

The Inspectorate's work for the water environment, says the report, would represent a substantial

[1] *HM Inspectorate of Pollution.* First Annual Report 1987-88. HMSO, £10-95. ISBN 0 11 752188 4.

[1] The unified inspectorate of pollution in Scotland is Her Majesty's Inspectorate of Industrial Pollution.

contribution to the pollution control objectives of the new National Rivers Authority, to be set up later in 1989 (see pp 20-24).

Radioactive Substances

Revisions of authorisations regulating the discharges containing radioactive waste into the atmosphere by British Nuclear Fuels Ltd at Sellafield and Drigg in Cumbria came into effect in early 1988, following major reviews and consultations. There were no incidents involving danger to the public in 1987-88, although there were some cases where procedures for consigning wastes to particular routes were not correctly observed.

Detailed arrangements for the National Response Plan, to be followed in the event of any future overseas nuclear incidents, are being made by the Radioactive Incidents Monitoring Co-ordinating Committee run by the Radioactive Substances Division of HMIP (see pp 242, 1987 and 82, 1988). The basic component of the plan, which is to be implemented in two phases, is a new national radiation monitoring network, RIMNET (Radioactive Incidents Monitoring Network), which will ultimately consist of about 80 main monitoring sites.

Waste Management

The report reflects the Inspectorate's concern to see higher standards of professionalism in waste management; it considers that the law governing waste disposal provides an adequate framework of control, although there are some acknowledged defects which are in the course of being remedied (see pp 247 and 446, 1988); these are mainly in the manner and degree of rigour with which operations are regulated. It acknowledges the professionalism of many in the waste management industry, in both public and private sectors, but remains concerned that waste regulation continues to be given insufficient priority in the allocation of resources in some waste disposal authorities.

During 1987-88, 244 site visits were carried out in England and Wales, compared with 224 in 1986-87. As a result of staffing constraints, priority was given to visiting the major hazardous waste sites.

The Inspectorate estimates that some 80,000 tonnes of hazardous/special waste were imported into Britain for treatment or incineration in 1987-88, compared with some 53,000 tonnes in 1986-87. The report cites various reasons for the continuing growth in imports, including the lack of disposal facilities in most third world countries and in some developed ones.

The Inspectorate is concerned that at a number of sites landfill gas is not being managed to an appropriate standard. The main conclusions of a paper published by HMIP[1] in January 1989 are that all landfills should be monitored for gas, that a thorough site survey should be conducted at all sites to identify the monitoring and controls required, and that all landfills taking quantities of biodegradable wastes should have gas management systems installed.

[1] *The Control of Landfill Gas – a Technical Memorandum on the Monitoring and Control of Landfill Gas.* Waste Management Paper No 27. HMSO, £6-80. ISBN 0 11 752175 2.

Shorter Notes

UNITARY TAXATION

In a statement to the House of Commons on 22 March, the Financial Secretary to the Treasury, Mr Norman Lamont, said that further progress had been made towards resolving the unitary taxation issue (see pp 296-7, 1985). (In December 1986 (see p 33, 1987) Mr Lamont had said that the Government was prepared to defer initiating action under what was then Section 54 of the Finance Act 1985 [now Section 812 of the Income and Corporation Taxes Act 1988 – see p 131, 1988] in recognition of the progress that had by then been made towards resolving this issue. Under this Section, United States parent companies from unitary tax states could be deprived of tax credits on dividends paid by their subsidiaries in Britain, the tax credits being permitted by the double taxation treaty between the two countries.)

Mr Lamont's latest statement made it clear, however, that problems remained, notably the election fee that companies had to pay in order to avoid being subject to worldwide unitary taxation. The Government proposed to review the situation jointly with the United States Treasury later in 1989. If it became necessary to take action on or after 31 December 1989 such action would not apply to dividends paid by that date.

Source: *Hansard*, Vol 149, No 76, written answers, col 587.

VENTURE CAPITAL AND SMALL FIRMS ASSISTANCE

The Secretary of State for Trade and Industry, Lord Young, launched the 1989 Small Firms Merit Awards for Research and Technology (SMART) on 8 March. The competition was set up as part of the Enterprise Initiative in 1988 following a pilot awards scheme started in 1986 (see p 61, 1988). It aims to encourage innovative projects – conceived by individuals and by small firms employing fewer than 50 people – which are potentially commercially viable but which have not secured finance from conventional sources. The competition will select 150 winners in 1989 and provide them with the funds to develop a product or process involving new technology. Stage one permits those selected to carry out feasibility studies for up to a year and and pays for 75 per cent of allowable expenses up to £50,000. Stage two offers 50 per cent of allowable expenses up to £100,000 to some holders of stage one awards to develop their processes and products. Further competitions are planned for 1990 and 1991. Some £29 million has been allocated to SMART for the next three years.

In announcing the competition, Lord Young praised British banks and venture capitalists for their increasing support for small firms, but stressed that these investors were not yet taking sufficient advantage of the opportunities available for helping firms which had high-risk, innovative projects to

develop. Such firms expanded rapidly when their ideas were successful, and required external finance to sustain their growth.

Announcing figures for the growth of the British venture capital industry in 1988, the chairman of the British Venture Capital Association, Mr John Nash, agreed that the potential for growth among smaller high technology firms was not being exploited. Although the members of his Association had generated some £1,400 million in funds for investment in 1988 (increased from just over £1,000 million in 1987), only 10 per cent of the total had been used for early-stage financing of businesses and only 9 per cent had gone to companies involved in technology. Mr Nash announced that the British Venture Capital Association had decided to form a Seed Capital Committee to address the problem of encouraging the flow of high-risk finance to small and to technology-related projects.

Sources: Department of Trade and Industry press notice, 8.3.89; British Venture Capital Association press notice, 13.3.89.

ADVERTISING IN THE PROFESSIONS

Three Monopolies and Mergers Commission reports published on 16 March found that certain restrictions on advertising by some of the professional bodies operated against the public interest in that they limited the type and amount of advertising which members of those bodies could make available to the public. References were made to the Commission in 1988, when it was asked to consider agreements and practices relating to the advertising of services which existed in the professions of medical practitioners, professionally regulated osteopaths and consulting civil engineers.

The Commission found that certain guidelines circulated by the General Medical Council, the British Medical Association and the Royal College of General Practitioners were likely to act against the public interest. The Commission considered that the broad principle that should govern advertising by doctors was that advertising should not be of a character which might bring the profession into disrepute. General practitioners' advertising should be limited to factual information, should not make claims of superiority or disparage other doctors, and should not target individual members of the public or be so intrusive as to cause a nuisance.

Observance of the rules of 11 of the 12 bodies representing osteopaths in Britain – the British Osteopathic Association was the exception – was found by the Commission to be against the public interest. New rules should be put in place which would ensure that the principles regulating advertising in the profession were broadly in accordance with the British Code of Advertising Practice.

In its report on the consultancy services offered by civil engineers, the Commission was largely concerned with the rules set out by the Institute of Civil Engineers and those of the Association of Consulting Engineers. It was found that, although the rules of the Institute of Civil Engineers did not operate against the public interest, some of its members thought the rules more restrictive than the interpretation of them which the Institute had given the Commission. It was recommended that the Institute clarify the situation. The rules of the Association of Consulting Engineers were found to be against the public interest and the amendment of the rules was recommended. The Association told the Commission that it would shortly be putting revised rules to its membership for approval.

Speaking in the House of Lords on the day of publication, the Secretary for Trade and Industry, Lord Young, welcomed the findings and recommendations of the reports. He said that he anticipated that the bodies named would alter their rules appropriately, but Lord Young stressed that in the event of non-compliance he could make use of his powers to make orders in respect of the Commission's findings.

Sources: *Services of Medical Practitioners: A Report on the Supply of the Services of Registered Medical Practitioners in relation to Restrictions on Advertising.* Monopolies and Mergers Commission. Cm 582. HMSO, £7·10. ISBN 0 10 105822 5; *Services of Professionally Regulated Osteopaths: A Report on the Supply of the Services of Professionally Regulated Osteopaths in relation to Restrictions on Advertising.* Monopolies and Mergers Commission. Cm 583. HMSO, £6·50. ISBN 0 10 105832 2; *Civil Engineering Consultancy Services: A Report on the Supply of Civil Engineering Consultancy Services in relation to Restrictions on Advertising.* Monopolies and Mergers Commission. Cm 564. HMSO, £5·30. ISBN 0 10 105642 7; *Hansard (HL),* Vol 505, No 53, written answers, cols 981-2.

SHIPBUILDING

Approval for the sale of Harland and Wolff, the shipbuilding firm based in Belfast, was announced in the House of Commons on 22 March by the Secretary of State for Northern Ireland, Mr Tom King. The successful contenders for the shipbuilding yard are a management and employee buy-out team led by the current chairman of Harland and Wolff, Mr John Parker, and backed by two of the Fred Olsen companies.

The purchasing group will subscribe for £15 million of share capital to a new company and then acquire the assets of Harland and Wolff for about £6 million, net book value. The Government will provide an advance to the new company of £60 million of loan stock on a performance-linked repayment basis. A further £38·75 million will be given to the firm in grant assistance towards the cost of rationalising the yard's activities. In exchange for intervention aid, Mr Olsen's companies will order three Suezmax tanker ships of about 150,000 tonnes each which will provide work for the firm until the end of 1992. Government assistance will therefore amount to a total of just under £100 million, in addition to intervention aid on new merchant

orders. The Government has also agreed to match a commitment by the Olsen companies to support pre-delivery ship financing. Existing liabilities will remain with the old company.

The Minister of Trade and Industry, Mr Tony Newton, informed the House of Commons on 16 March that he had approved Britain's first application to the European Regional Development Fund's RENAVAL programme for a £13·25 million grant to assist in the restructuring of Plymouth's economy, following contractions in the shipbuilding and repair industry there. The funding will be used to introduce Regional Enterprise Grants to the area, to support infrastructure projects and to develop industrial sites and tourism.

Sources: *Hansard,* Vol 149, No 75, cols 1089-90; *Hansard,* Vol 149, No 71, written answers, col 282.

COMPETITION IN THE SUPPLY OF BEER

A report published by the Monopolies and Mergers Commission on 21 March has concluded that a complex monopoly in the supply of beer for retail sale operates against the public interest in Britain. It contains recommendations which would secure a more competitive regime and expand opportunities for the independent wholesaling sector.

The report notes that the public house remains central to British beer-drinking habits. Premises serving alcohol in Britain require a licence – an on-licence for consumption on the premises, or an off-licence for consumption off the premises. Some 85 per cent of beer is consumed in public houses, clubs and other on-licensed premises, in a market where annual sales have reached £9,000 million, or 2 per cent of gross domestic product. Lager sales account for a growing proportion of total sales. The sales outlet sectors that expanded most between 1966 and 1986 were those of restricted on-licensed premises (for example, restaurants), off-licensed premises such as shops and supermarkets, and clubs. The number of full on-licensed premises, including public houses, grew least. Thus, few new public houses were opened over the last two decades.

The report found that six national firms controlled some 75 per cent of beer production in Britain – up from 68 per cent in 1967. About the same percentage of brewery-owned public houses was owned by them. There was also evidence of considerable vertical integration in the brewing industry – most manufacturers are involved in the brewing, wholesaling and retailing of beer. About 25 per cent of beer production and brewery-owned public houses is in the hands of other, smaller brewers. However, there is a system of loan ties, whereby loans at favourable interest rates are made to publicans by the six brewers in exchange for exclusive or semi-exclusive sale of their products. These brewers account for some 86 per cent of loan ties.

Against this background, the Commission found that since 1979 the price of a pint of beer in a public house had risen by 15 per cent in real terms, almost double the rise in restaurant prices; that lager was priced at about 10 pence more for a pint than bitter, despite a very small difference in production costs; that there was an excessive price differential in beer prices between regions; and that consumer choice was limited by linked public houses and many loan-tied outlets not being permitted to offer brands of beer and soft drinks other than those of their brewers. On behalf of the industry, The Brewers' Society told the Commission that there was self-evident competition in the industry, which had a strong record of product innovation and helped to secure employment for small businessmen through the public house tenanting and loan-tie systems. Vertical integration helped to guarantee product quality and to make production and distribution cost-effective.

The Commission recommends that no new loan tie be permitted (although those now in operation should be allowed to run their course). A ceiling of 2,000 on the number of on-licensed premises which any brewing company may own should be established. This would require that the brewers divest themselves of 22,000 premises over a three-year period. The report also recommends that brewery-owned premises be permitted to sell both 'guest' beers, manufactured by other brewing companies, and a range of non-beer alcoholic and non-alcoholic drinks manufactured by other firms. Wholesale price lists should be introduced by brewers to assure greater transparency of pricing. Tenancies in linked on-licensed premises should be brought under the terms of the Landlord and Tenant Act 1954, to provide statutory protection for tenants and to improve their security of tenure. A revised Code of Practice should be added to each tenancy agreement of premises. The report concludes that these measures would increase competition in the brewing industry, widen consumer choice, encourage new entry, and reduce prices.

Speaking in the House of Lords on 21 March, the Secretary of State for Trade and Industry, Lord Young, welcomed the report and said that he hoped to implement its recommendations after consultations with the European Community. The European Commission was holding its own enquiry into the wider European market in beer supply.

Sources: *The Supply of Beer: A Report on the Supply of Beer for Retail Sale in the United Kingdom.* Monopolies and Mergers Commission. Cm 651. HMSO, £22. ISBN 0 10 106512 4. *Hansard (HL),* Vol 505, No 55, written answers, cols 674-5.

CHANNEL TUNNEL RAIL LINK

Details of British Rail's proposed high-speed rail link between London and the Channel Tunnel rail terminal at Folkestone (Kent) were given in a report published on 8 March.[1] British Rail says that the new link is required to provide the additional capacity as indicated by forecasts of rail traffic. Major changes

[1] *Channel Tunnel Rail Link.* Available unpriced from the British Railways Board, Euston House, 24 Eversholt Street, London NW1 1DZ.

have been made to earlier proposals to provide for greater environmental protection.

Under the scheme a new route in tunnel from King's Cross would meet existing track from Waterloo at Peckham Rye and then continue in twin bore tunnels to Swanley (Kent), from where it would run to Folkestone partly alongside existing rail track, with some new railway being built, including 23 km (14 miles) alongside the M20 motorway. Of the 109 km (68 miles) of route, 37 km (23 miles) would be in tunnel. According to British Rail, the environmental gains from its revised proposal would be greater reliance on existing transport corridors, increased tunnel in London and near Ashford, elimination of the visual impact of a river crossing, the avoiding of a number of central village areas in Kent, greater use of cuttings to mitigate noise and visual intrusion, and noise reduction through lower maximum speeds (now estimated at 225 km/h – 140 mph – over about half the route). British Rail says that some 30 per cent of the estimated cost of £1,700 million represents environmental protection measures.

The new line would reduce the journey time between London and the Channel Tunnel terminal from 70 minutes when international trains commence using the Channel Tunnel in 1993 to about 40 minutes. British Rail has chosen King's Cross as the second London terminal to provide a good interchange for main line services, particularly to the north, as well as to allow the running of through trains. Journey times for commuters from east Kent could also be reduced substantially, while a new commuter station in mid-Kent is to be investigated.

On 9 March the Minister for Public Transport, Mr Michael Portillo, welcomed the emphasis that British Rail had placed on environmental protection and its approach to compensation for those most directly affected. He said that British Rail intended, after some further consultation, to introduce a private Bill in November 1989, while it would also be exploring the options for participation in the project by the private sector. In considering whether the Government would be able to support the Bill, Mr Portillo said that it would wish to be satisfied that the route had been subjected to a full environmental assessment, so that the Bill could be accompanied by a satisfactory environmental statement. In addition, the Government would have to be satisfied that any investment by British Rail would be likely to earn a proper commercial return.

[For further information on the Channel Tunnel project, including rail services, see COI reference paper *The Channel Tunnel,* No 278/88.]

Sources: British Rail press notice, 8.3.89; *Hansard,* Vol 148, No 66, col 1033.

RADIOACTIVE WASTE DISPOSAL

The Government's acceptance of the recommendations by United Kingdom Nirex Ltd on the disposal of low-level and intermediate-level radioactive waste in a deep repository was announced by the Secretary of State for the Environment, Mr Nicholas Ridley, in the House of Commons on 21 March. Mr Ridley said that Nirex had endorsed the Government's policy of disposal rather than storage of radioactive waste, and had recommended that a repository should be constructed in the form of a mine under the land. Nirex had concluded that it would be best to explore initially those sites where there was some measure of local support for civil nuclear activities. It had recommended that the next step should be to carry out detailed geological studies, including the sinking of boreholes, in the vicinity of Sellafield (Cumbria) and Dounreay (Highland). The further evaluation of the geology of these sites would enable Nirex to decide on their suitability for construction of a repository, or whether it would be necessary to evaluate other sites.

Nirex is responsible for identifying and developing a disposal facility for low-level and intermediate-level radioactive waste. In 1987 the Government announced its acceptance of a recommendation from Nirex that a single deep facility should be developed (see p 167, 1987). Nirex has been considering two other main options: tunnelling under the sea from the shore, and disposal into the sea bed from an offshore structure. It estimates that the geological investigations will take between 12 and 18 months; if a preferred site were then identified, permission would be sought for detailed investigations, leading to construction and operation by 2005. Any proposal to build a repository would be the subject of a public inquiry.

Sources: *Hansard,* Vol 149, No 74, written answers, cols 505-6; Department of the Environment press notice, 21.3.89; Nirex press notice, 21.3.89.

Inner Cities

Further developments of the Government's programmes for inner city regeneration have been announced, and a report has been issued on progress made in the first year of the 'Action for Cities' initiative.

Speaking in the House of Commons on 9 March (*Hansard,* Vol 148, No 66, written answers, col 592), the Chancellor of the Duchy of Lancaster, Mr Tony Newton, said that the report,[1] which outlined the Government's strategy for inner-city regeneration (see p 122, 1988), illustrated achievements by region and set out the Government's priorities for future action, 'shows that the economic regeneration of the inner cities, based on businesses earning commercial returns, is clearly under way. Unemployment is falling rapidly. New shops, offices, factories and homes are under construction. There is growing confidence and co-operation between the private sector, public authorities, voluntary organisations and local communities.'

At a press conference to launch the report, which covers developments in England, Mr Newton said that unemployment in the inner cities had fallen by over 20 per cent in the first year of the initiative, and long-term unemployment had fallen even more. Training programmes had assisted 500,000 people, and 26 local 'compacts' between schools and industry (see p 122, 1988) were guaranteeing school leavers in the inner cities jobs with training. The first City Technology College (see pp 369, 1986 and 426-7, 1987) was in operation and others were under way. Four more Urban Development Corporations had been established (see p 23 and 122, 1988), bringing the total to ten [eleven including Cardiff Bay in Wales]. There had been reclamation of 1,000 hectares (2,500 acres) of derelict land.

City grant and its predecessors, urban development grant and urban regeneration grant (see p 122, 1988), had attracted over £800 million in private sector investment, providing 37,000 jobs and 9,500 homes. Resources for the Estate Action programme (see pp 175-6 and 333, 1987) had been increased by over 35 per cent to bring about better conditions in existing housing. Major improvements were taking place in the infrastructure, with the completion of a number of national road schemes which would help the inner cities. In 1988-89 the Government had spent £3,000 million on inner city programmes [in Britain], and was likely to increase this to nearly £3,500 million in 1989-90.

[1] *Progress on Cities,* available unpriced from the Cabinet Office, Inner Cities Unit, Room 306, 70 Whitehall, London SW1A 2AS.

Future developments

Mr Newton emphasised three main aspects of the Government's approach to the next phase of the 'Action for Cities' campaign. First, the role of business remained very important. Jobs, prosperity and social regeneration in the inner cities depended on a solid economic foundation. Second, effective local partnerships involving the private sector, local authorities and others, and the local community must continue to be fostered. Third, local residents must gain full benefit from the initiatives; for this the continued development of good training programmes was essential. Among the further developments in programmes announced by Mr Newton and ministers from the other departments involved were:

1 Three new Task Forces in Liverpool, Bradford and Lewisham in London; three others, in Preston, Wolverhampton and Leicester (see pp 101-2, 1986, and 178-9, 1987), which were successfully completing their programmes, would withdraw from their areas by the end of 1989. The Task Force budget for 1989-90 would be £17 million, representing an increase of more than 20 per cent over 1988-89.

2 Four new initiatives designed to encourage participation by ethnic minority groups in the Employment Training programme (see pp 108-11, 1988) and to open up more training and job opportunities for inner city residents. In ten inner city areas a pilot initiative would allow people who had been unemployed for between three and six months to join the programme; extra training and support would be available in up to 20 inner city areas to encourage ethnic minority groups to become more involved in running Employment Training schemes. A 'Job Interview Guarantee' initiative would be set up to help the long-term unemployed in 20 inner city areas, and a further ten school/industry compacts introduced in the inner cities.

3 A national programme of five regional conferences to promote enterprise opportunities on run-down council estates. The conferences would bring together council tenants, local authorities, businesses and government departments to discuss practical schemes to encourage enterprise, employment and housing improvements on such estates.

4 A further two 'Safer Cities' projects, in Hull and in the Wirral, in addition to the nine projects already

established to combat crime in urban areas (see p 122, 1988).

5 Four new projects to enable enterprise agencies to develop their services in order to provide expert business advice to ethnic minority communities.

6 New City Technology Colleges to open in Nottingham and Middlesbrough in 1989, and in Gateshead and Bradford in 1990. A City College for the Technology of the Arts would also open in south London in 1990.

Scotland

Commenting on the launch, the Secretary of State for Scotland, Mr Malcolm Rifkind, said that very good progress was also being made in Scotland on the initiatives announced in 'New Life for Urban Scotland' (see pp 150-1, 1988). Regeneration strategies for peripheral housing estates in Paisley and Dundee were being put into practice by a partnership of Government, local people, private enterprise, local authorities and other public bodies. Strategies for estates in Glasgow and Edinburgh were being drawn up, and good progress was being made on smaller revitalisation schemes in other inner city areas.

Wales

Under the Valleys Programme (see p 239-40, 1988), designed to improve economic, environmental and social conditions in south Wales, progress has been made on the clearance of derelict land, factory building and the establishment of training and enterprise programmes (see p 103-4).

Northern Ireland

Details of 72 projects to improve conditions in the most deprived areas of Belfast have been announced for 1989-90 under the 'Making Belfast Work' programme (see pp 287-8, 1988). There are now eight Action Teams fully operational in Belfast.

Shorter Note

NATIONAL FOOD SURVEY

Household consumption of low-fat dairy produce, fresh vegetables and fresh fruit in Great Britain was higher in 1988 than in 1987, while that of liquid wholemilk, butter, red meat and standard white loaves declined. These changes broadly continue the dietary trend since 1980, according to the results of the National Food Survey for 1988.

Average expenditure per head on food in the home was £10·77 a week in 1988, 5 per cent more than in 1987. Consumption of milk and cream was virtually unchanged, but over 12 per cent lower than in 1980. Low-fat milk accounted for some 26 per cent of liquid milk consumption. Average butter consumption was less than half the level of 1980, and that of margarine was also lower. The intake of cheese continued to increase at about 1 per cent a year, but that of eggs declined by 8 per cent over 1987, reflecting a long-term trend and concerns about salmonella (see p 25).

Purchases of poultry increased by over 20 per cent between 1980 and 1988, while consumption of red meat declined by 25 per cent. Expenditure on meat products rose by over 50 per cent over the same period. Fish and fish products showed a 5 per cent rise.

Potato consumption in 1988 was 3 per cent lower than in 1987, but that of fresh green vegetables and other fresh vegetables rose by nearly 5 per cent and 1 per cent respectively. Between 1980 and 1988 potato and fresh green vegetable consumption declined, while that of other fresh vegetables and of processed vegetables increased.

Fresh fruit consumption was virtually unchanged since 1980, but the range purchased increased markedly. Apples, oranges, pears and bananas still accounted for nearly 75 per cent in terms of weight and 67 per cent in terms of expenditure. Fruit juice intake more than doubled.

Bread consumption declined by less than 3 per cent between 1980 and 1988. White loaves, however, which represented some 70 per cent of bread purchases in 1980, accounted for only some 50 per cent in 1988. Wholemeal and other types of bread were increasingly popular. Consumption of breakfast cereals increased by nearly 28 per cent.

Purchases of instant coffee were virtually the same as in 1980, but tea drinking declined by nearly 20 per cent.

Average daily food intake per head declined from 2,230 calories in 1980 to 2,000 calories in 1988. The proportions of protein, calcium and iron increased, however, indicating an improvement in overall nutritional quality.

The proportion of calories from fat (42 per cent in 1988) was still above the Department of Health's recommendation of 35 per cent, but should be viewed, says the report, in the light of lower fat consumption and lower total energy intake. In addition, the ratio of polyunsaturated to saturated fatty acids in food increased from 0·24 in 1980 to 0·37 in 1988, and there was an increased intake of fibre.

The National Food Survey, conducted on behalf of the Ministry of Agriculture, Fisheries and Food, is a continuous sampling inquiry into food consumption, expenditure and nutrition of private households in Great Britain. It does not record information on alcohol, confectionery, or food bought and consumed outside the home.

The Government has announced the establishment of a committee, to include expert and consumer interests, on microbiological food safety. It will investigate foodborne illnesses, particularly salmonella and listeria, and try to establish whether their recent increase is linked to changes in agriculture and food production, food technology and distribution, catering, and handling in the home.

Sources: *Hansard,* Vol 147, No 50, written answers, col 180 and Vol 147, No 54, col 877; Ministry of Agriculture, Fisheries and Food press notice, 20.3.89.

DOCUMENTATION

General

United Kingdom in Figures: 1989 Edition and *Government Statistics – A Brief Guide to Sources: 1989 Edition.* Central Statistical Office (CSO). Available from CSO Information, Room 58/G, Government Offices, Great George Street, London SW1P 3AL.

External Affairs and Defence

Concluding Document of the Meeting held at Vienna from 4 November 1986 to 19 January 1989 to follow up the Conference on Security and Co-operation in Europe. Also contains the text of the closing speech made by the Foreign and Commonwealth Secretary, Sir Geoffrey Howe (see pp 43-9). HMSO, £6·50. ISBN 0 10 106492 6.

Developments in the European Community: July-December 1988. HMSO, £5·90. ISBN 0 10 106412 8.

Britain and International Debt Relief. COI, No 313/89.

Britain and NATO. COI, No 58/59.

Overseas Development Administration: Sponsorship of the Commonwealth Development Corporation. Report by the Comptroller and Auditor General. HMSO, £4·70. ISBN 0 10 227589 0.

Economic and Scientific Affairs

Financial Statement and Budget Report 1989-90 (see p 134). HM Treasury. HMSO, £7·80. ISBN 0 10 223589 9.

Britain's Public Expenditure Plans 1989-90 to 1991-92 (reproduced from *Survey of Current Affairs).* COI. No 240/89.

Supply Estimates 1989-90: Summary and Guide. HM Treasury. Cm 633. HMSO, £8·10. ISBN 0 10 106332 6.

Share Ownership 1989. Gives the results of the latest major survey by HM Treasury and the International Stock Exchange of individual share ownership in Britain. A total of 9 million people, equal to 20 per cent of the adult population, own shares – the same as a year earlier. In 1979 the proportion had been 7 per cent. Available from HM Treasury Publications, Parliament Street, London SW1P 3AG, and The International Stock Exchange, Old Broad Street, London EC2N 1HP. £20.

The Insolvency General Annual Report 1987. Department of Trade and Industry. Records large drops in corporate insolvency, receiverships and voluntary liquidations over the year compared with 1986. HMSO, £2·95. ISBN 0 11 514670 9.

Assistance to Small Firms. Eighth Report of the House of Commons Committee of Public Accounts, Session 1988-89. HMSO, £4·30. ISBN 0 10 221989 3.

Removing Barriers to Employment: Proposals for the Further Reform of Industrial Relations and Trade Union Law (see p 151). Department of Employment. Cm 655. HMSO, £3·20. ISBN 0 10 106552 3.

Training and Enterprise Councils: A Prospectus for the 1990s (see p 152). Available unpriced from the Training Agency, Moorfoot, Sheffield S1 4PQ.

Training and Employment Services in Northern Ireland (see p 152). Available unpriced from the Northern Ireland Department of Economic Development, Netherleigh, Massey Avenue, Belfast BT4 2JP.

In the Absence of Competition. A Consumer View of Public Utilities Regulation. Outlines the theory and practice of regulation of public utilities enjoying monopolies and proposes a model regulatory system aimed at protecting consumers. National Consumer Council. HMSO, £9·95. ISBN 0 11 701211 4.

Civil Engineering Consultancy Services: A Report on the Supply of Civil Engineering Consultancy Services in relation to Restrictions on Advertising (see p 158). Monopolies and Mergers Commission. Cm 564. HMSO, £5·30. ISBN 0 10 105642 7.

Overseas Work Entrusted to Members during 1988. The Association of Consulting Engineers. Available from the Association of Consulting Engineers, Alliance House, 12 Caxton Street, London SW1H 0QL. £40.

Services of Medical Practitioners: A Report on the Supply of the Services of Registered Medical Prac-

titioners in relation to Restrictions on Advertising (see p 158). Monopolies and Mergers Commission. Cm 582. HMSO, £7·10. ISBN 0 10 105822 5.

Services of Professionally Regulated Osteopaths: A Report on the Supply of the Services of Professionally Regulated Osteopaths in relation to Restrictions on Advertising (see p 158). Monopolies and Mergers Commission. Cm 583. HMSO, £6·50. ISBN 0 10 105832 2.

Elders IXL Ltd and Scottish and Newcastle Breweries plc: A Report on the Merger Situation. Monopolies and Mergers Commission. Finds that the proposed acquisition of Scottish and Newcastle Breweries by Elders IXL would operate against the public interest on grounds of competition and consumer choice, as does the holding of 23·6 per cent of Scottish and Newcastle's shares by Elders IXL. This should now be reduced to 9·9 per cent. Cm 654. HMSO, £10·30. ISBN 0 10 106542 6.

The Supply of Beer: A Report on the Supply of Beer for Retail Sale in the United Kingdom (see p 159). Monopolies and Mergers Commission. Cm 651. HMSO, £22. ISBN 0 10 106512 4.

Enterprise Ulster: 14th Annual Report and Statement of Accounts: 1 April 1986 to 31 March 1987. Department of Economic Development for Northern Ireland. HMSO, £6·40. ISBN 0 337 09290 7.

Channel Tunnel Rail Link (see pp 159-60). Available unpriced from the British Railways Board, Euston House, 24 Eversholt Street, London NW1 1DZ.

Allocations of the Science Budget 1989-92. Advice to the Secretary of State for Education and Science from the Advisory Board for the Research Councils. Available unpriced from Advisory Board for the Research Councils, Elizabeth House, York Road, London SE1 7PH.

Information Technology (see pp 153-6). The Government's response to the First Report of the House of Commons Trade and Industry Committee, Session 1988-89. Department of Trade and Industry. Cm 646. HMSO, £4·80. ISBN 0 10 106462 4.

Technology Transfer Mechanisms in the UK and Leading Competitor Nations. A survey by the National Economic Development Council's Innovation Working Party which concludes that Britain is lagging behind its competitors in the effective transfer of technology across frontiers and academic/commercial boundaries. British companies are reluctant to take up external technology and tend not to view technology strategically or as a long-term asset. Available from NEDO Books, Millbank Tower, Millbank, London SW1P 4QX. £50.

Working by Wire. Teleworking and the Frontline Initiative. Describes initiatives utilising remote working and information technology to link employees in different British cities. Prepared by the Electronic Applications Sector Group, National Economic Development Office. Available from NEDO Books, Millbank Tower, Millbank, London SW1P 4QX. £25. ISBN 0 7292 0954 7.

HM Inspectorate of Pollution. First Annual Report 1987-88 (see pp 156-7). HMSO, £10·95. ISBN 0 11 752188 4.

Nuclear Accidents Overseas: The National Response Plan and Radioactive Incident Monitoring Network (RIMNET): Phase 1 (see p 157). HM Inspectorate of Pollution. HMSO, £2·70. ISBN 0 11 752189 2.

Saving the Ozone Layer: Conclusions of the London Conference (reproduced from *Survey of Current Affairs*). COI, No 327/89.

Toxic Waste. Second Report of the House of Commons Environment Committee, Session 1988-89.

Vol I. Report with Appendices, together with the Proceedings of the Committee relating to the Report. HMSO, £10·50. ISBN 0 10 279589 4.

Vol II. Minutes of Evidence. HMSO, £18. ISBN 0 10 280589 X.

Vol III. Appendices. HMSO, £12·70. ISBN 0 10 274589 7.

Social and Cultural Affairs

A Strategy for Nursing. This report examines how nursing services should develop, whatever the organisational structure or financial arrangements for the delivery of health care, and identifies four main aspects of nursing, midwifery and health visiting: practice, staffing, education, and leadership and management. Department of Health. Available from the Department of Health Publications Despatch Centre, Government Buildings, Honeypot Lane, Stanmore, Middlesex HA7 1AY. £4·50.

Curriculum and Assessment in Scotland: A Policy for the 90s. Paper No 1: A Working Paper. The Balance of the Primary Curriculum. Scottish Education Department. Available free from SED, New St Andrew's House, Edinburgh, EH1 3TD.

Discipline in Schools: Report of the Committee of Enquiry Chaired by Lord Elton. HMSO, £10·00. ISBN 0 11 270665 7.

HMI: Its Work and Publications. Her Majesty's Inspectorate, Department of Education and Science. Available unpriced from DES Publications Despatch Centre, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

The South Bank Centre. COI, No 167/88.

Annual subscription including indices and postage £25.50 net
Dd 8844967 C7 APRIL/1989
ISBN 0 11 728502 1 Vol. 19 No. 4
ISSN 0039—6214